

# **WINTHROP UNIVERSITY**

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## **Independent Auditors' Report Financial Statements and Schedules For the Year Ended June 30, 2018**



# WINTHROP UNIVERSITY

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## FINANCIAL INFORMATION

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## Independent Auditors' Report

The Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Winthrop University, a component unit of the State of South Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Winthrop University Foundation and the Winthrop Real Estate Foundation, Inc., which represent 100% of total assets, 100% of net assets, and 100% of total revenues of these discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Winthrop University Foundation and Winthrop University Real Estate Foundation Inc., is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of The Winthrop University Foundation and Winthrop Real Estate Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component units of Winthrop University as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 11 to the financial statements, in fiscal year 2018, the University adopted new accounting guidance, Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of Net Pension Liability and the Schedule of University Pension Contributions, and the Schedules of Proportionate Share of Other Postemployment Benefits Other than Pensions (OPEB) and the Schedules of University OPEB Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

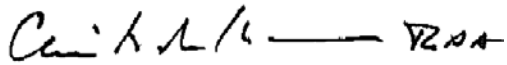
*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Winthrop University's basic financial statements. The other financial information is presented for purposes of additional analysis as required by Office of the South Carolina Comptroller General and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is not a required part of the basic financial statements.

Such information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2018, on our consideration of Winthrop University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Cynthia A. Gaffney".

Gaffney, SC  
September 14, 2018



*Office of Finance and Business Affairs*

**WINTHROP UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

The following discussion and analysis has been prepared by management to provide an overview of the financial position and activities of Winthrop University (the University) for the year ended June 30, 2018. This discussion should be read in conjunction with the financial statements and accompanying notes to the financial statements. The financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also complies with the requirements of GASB Statements 36, 37, 38 and 61 that were issued to amend Statements 34 and 35. In the year ended June 30, 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. In the year ended June 30, 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**Introduction**

Building on its 19th century origins, Winthrop University's mission is to provide personalized and challenging undergraduate, graduate, and continuing professional education programs of national caliber within a context dedicated to public service to the nation and to the State of South Carolina. Winthrop's longtime commitment to be among the very best institutions of its kind in the nation continually guides the mission of the University, providing an educational experience that blends liberal arts, professional programs, global awareness and civic engagement.

Winthrop embraces only those programs and activities that can be delivered at an exemplary level. Numerous national accolades reflect the sustained high quality and value of the Winthrop Experience. **U.S. News & World Report** has named Winthrop one of the South's top 10 public universities that convey bachelor's and master's degrees in its "America's Best Colleges" edition for the last 25 years. In addition, **Princeton Review** rated Winthrop among the "Best in the Southeast" in its online feature "2018 Best Colleges: Region by Region." This selection is made based on academic excellence and what students report about their college experiences. Winthrop has been included in the regional guidebook since its initial publication in 2003.

Fiscal year 2017-18 was Dr. Daniel F. Mahony's third year as Winthrop's 11<sup>th</sup> president. During his first year, Dr. Mahony began a strategic planning process to identify the University's priorities for the future and to determine how best to allocate resources in order to achieve those priorities.

At the start of the 2016-17 academic year, Dr. Mahony announced Winthrop's strategic plan, "**The Winthrop Plan: A Strategy to Become a National Model for a Student-Centered University Experience**". The "**Winthrop Plan**" consists of five goals and initiatives that Winthrop will achieve to drive enrollment, retention, student success, diversity and fundraising in order to become a national model for a student-centered university experience. In his announcement, Dr. Mahony noted that this plan will guide the University through 2025 and the process of reviewing this plan will drive Winthrop's allocation of funds through these years.

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In October 2017, after the start of his third year, Dr. Mahony updated the campus and community on the progress related to the Winthrop Plan's five goals, such as:

- The university received its largest estate gift - \$3 million - from late alumna and longtime educator Elizabeth Reed '41, '51 to establish the Elizabeth Hope Reed Fellows Program, a service-focused scholarship program for Winthrop students who demonstrate financial need, maintain good academic standing and commit to volunteering at least eight hours a week.
- A new Accounting Mentoring and Professional Development program, with funding assistance from PricewaterhouseCoopers, has been created. The competitive program, aimed at students who are underrepresented in the accounting field, will support students with discipline-specific mentors, internships and other professional development opportunities.
- The university performed well on the 2016 National Survey of Student Engagement and exceeded goals in two areas: diversity indicator, which reflects the frequency at which students engage in discussions with others from a different race/ethnicity, economic background, religion, or political perspective than their own, (2017 target: 78 percent; 2017 actual: 79 percent) and student-faculty interaction (2017 stretch target: 47 percent; 2017 actual: 49 percent). Winthrop performed above the national average in both categories.
- The 2017 target (\$16.8 million) and the 2017 stretch target (\$17 million) for student scholarships were well exceeded with a 2017 preliminary achievement of \$20 million.
- The six-year graduation rate of first-time, full-time freshmen, exceeded the 2017 target goal of 56 percent by posting a 57 percent rate.
- The percentage of all full-time employees with salaries at or above the median has increased from 32 percent to 37 percent and exceeds the 2017 target of 35 percent.
- Winthrop increased the diversity of Winthrop faculty and managerial staff to 16.4 percent, exceeding both the 2017 target (15 percent) and the 2017 stretch target.
- Winthrop significantly exceeded its 2017 stretch target of upgrading technology in six classrooms by doing so in 28 classrooms.
- The university's total endowment assets figure of \$50.3 million is well ahead of the 2017 stretch target of \$47.5 million.

### **Statement of Net Position**

The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Winthrop University. The Statement of Net Position is a point-of-time financial statement that presents data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position of the University as of the end of the fiscal year. Current assets are those that are reasonably expected to be realized in cash or sold or consumed within one year. Current liabilities are obligations whose liquidation is expected to require the use of current assets.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the University's equity in property, plant, and equipment owned by the institution. The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is not available for expenditure. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. The unrestricted portion of net position is available to the institution for any lawful purpose of the University. Although the unrestricted portion is not subject to externally imposed restrictions, substantially all of the University's unrestricted net position has been designated for various academic initiatives or future capital commitments.

The following Condensed Statement of Net Position has been presented to comply with the changes required by GASB Statements 68 and 75. The unrestricted net position is a negative as a result of the adoption of GASB 68 and 75 and the recognition of the University's proportionate share of the net liabilities for the South Carolina Retirement System (SCRS), the South Carolina Police Officers Retirement System (PORS), and Other Postemployment Benefits (OPEB). For additional information, see Impact of GASB 68 and 75 on page 8, as well as Notes 10 and 11 in the accompanying notes to the financial statements.

**CONDENSED STATEMENT OF NET POSITION**

	<b>2018</b>	<b>2017</b>	<b>Increase/ (Decrease)</b>
<b>ASSETS</b>			
Current Assets	\$ 28,640,417	\$ 26,228,351	\$ 2,412,066
Capital Assets, Net of Accumulated Depreciation	100,818,950	104,606,411	(3,787,461)
Other Noncurrent Assets	18,393,044	22,196,549	(3,803,505)
Total Assets	147,852,411	153,031,311	(5,178,900)
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	21,787,277	15,440,453	6,346,824
<b>LIABILITIES</b>			
Current Liabilities	25,368,862	28,782,286	(3,413,424)
Noncurrent Liabilities	43,287,116	47,551,246	(4,264,130)
Net Pension Liability	95,623,000	86,654,040	8,968,960
Net OPEB Liability	85,877,134	0	85,877,134
Total Liabilities	250,156,112	162,987,572	87,168,540
<b>DEFERRED INFLOWS OF RESOURCES</b>	12,540,914	6,675,309	5,865,605
<b>NET POSITION</b>			
Net Investment in Capital Assets	57,816,093	56,523,635	1,292,458
Restricted for Nonexpendable	499,628	499,628	0
Restricted for Expendable	2,314,791	2,711,222	(396,431)
Unrestricted *	(153,687,850)	(60,925,602)	(92,762,248)
Total Net Position	\$ (93,057,338)	\$ (1,191,117)	\$ (91,866,221)

\*See Impact of GASB 68 and 75 on page 8. Exclusive of the GASB 68 and 75 changes, the Unrestricted Net Position increased by \$1,436,561 to a total of \$20,187,619.

- Current Assets increased by \$2,412,066. This increase occurred primarily in cash and cash equivalents within current operating funds as a result of the year's revenues exceeding expenses, which had a positive effect on cash and net position.
- Capital Assets, Net of Accumulated Depreciation decreased by \$3,787,461, which was primarily a result of depreciation expense in the amount of \$5,075,549 offset by \$1,288,088, the value of assets placed into service net of assets removed from service during the fiscal year.
- Other Noncurrent Assets decreased by \$3,803,505. This decrease was primarily in Restricted Cash and Cash Equivalents as a result of grant funds spent during FY18 that had been on hand at FY17 year end for the Center for Educator Recruitment, Retention and Advancement (CERRA) state funded grant for the Rural Teaching Recruitment (RTR) program (\$3.1M). In addition, a carryover of approximately \$305,000 of Lottery Technology funding was spent in FY18 on classroom and computer lab equipment. The remaining change resulted from grant funds expended not yet reimbursed by the sponsor.

- Deferred Outflows of Resources increased by \$6,346,824, which related to the Net Pension (NPL) and Net OPEB (NOL) liabilities. Under GASB 68 and 75, the investment and net liability experience and contributions subsequent to the measurement date are reported in Deferred Outflows of Resources. See Notes 10 and 11 for additional details.
- Current Liabilities decreased by \$3,413,424 overall. This change was primarily in a \$3.7M decrease in unearned revenues, which were recognized as revenues in FY18 for the Rural Teaching Recruitment Grant (\$3.2M) and the Music Conservatory and Byrnes Auditorium project (\$472K). The remaining change resulted from a \$607K increase in Accounts Payable offset by a \$365K decrease in the Current Portion of Compensated Absences. Overall the total Compensated Absences declined only slightly, but based on employees' leave experience, more of the liability was considered noncurrent for FY18 (see Noncurrent Liabilities below).
- Noncurrent Liabilities decreased by \$4,264,130, of which \$4,572,538 was in long-term debt. This decrease in debt resulted from the principal payments made, as well as the bond premium amortized. This reduction was offset by a \$312,761 increase in the long-term portion of the Compensated Absences liability.
- Net Pension Liability (NPL) increased by \$8,968,960. This liability is the University's proportionate share of the pension liability amount related to its defined benefit plans. The NPL amount is provided by the South Carolina Public Employee Benefit Authority's (PEBA's) consulting actuary, and reported in accordance with the GASB 68 requirements. Total pension liability may be impacted annually by the cost of service accrued by participants, interest accrued on the liability, the impact of benefit and assumption changes, the cost of benefit payments, and the difference between expected and actual plan experience.
- Net OPEB Liability was \$85,877,134. This liability is the University's proportionate share of the postemployment benefits other than pension. The Other Postemployment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF). These OPEB Trusts are administered by the PEBA, Insurance Benefits. The OPEB liability amount is reported in accordance with the GASB 75 requirements. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future such as future employment, mortality, and the healthcare cost trend.
- The University's overall net position decreased by \$91,866,221.
  - Net Investment in Capital Assets increased by \$1,292,458. As mentioned earlier, the overall Capital Asset value declined by \$3,787,461 as a result of depreciation expense in excess of the value added for new assets less assets disposed. However, long-term debt decreased as a result of current year debt payments net of change in amortized premiums, debt proceeds on hand, and the advanced refunding (in Deferred Outflows of Resources) by \$5,079,919.
  - Restricted for Expendable decreased by \$396,431 primarily as a result of a decrease in the year-end balance in non-exchange restricted grants and debt service.
  - And finally, the Unrestricted Net Position decreased by \$92,762,248 overall. Exclusive of GASB 68 and 75 changes, the Unrestricted Net Position actually increased by \$1,436,561 in fiscal year 2018. (See additional explanation in Impact of GASB 68 and 75 that follows.) This increase was offset by a decrease of \$94,198,809 in the Unrestricted Net Position resulting from the increase in the NPL and the NOL.

### **Impact of GASB 68 and 75**

The new GASB 68 and 75 standards create *accounting* liabilities rather than legal liabilities. Although pursuant to accounting standards, the University must report its proportionate share of the pension and other postemployment benefit liabilities for the state's defined benefit retirement and other postemployment benefit plans, the University has no legal requirement to fund or pay out that share of the liabilities. The University is responsible only for making the contributions required by state law during any given year, and cannot pay down or pay off its proportionate shares because they are multiple employer cost-sharing plans. Internally, the University's management must continue to ensure that the University's financial position is sound. In fiscal year 2018, when excluding the GASB 68 and 75 impact, the University's Unrestricted Net Position actually increased by \$1,436,561 to a total of \$20,187,619. This increase was primarily a result of recognized savings on vacant positions and utility costs.

Following is the University's net position with the GASB 68 and 75 impact reported discretely.

<b>NET POSITION</b>	<b>2018</b>	<b>2017</b>	<b>Increase/ (Decrease)</b>
Net Investment in Capital Assets	\$ 57,816,093	\$ 56,523,635	\$ 1,292,458
Restricted for Nonexpendable	499,628	499,628	0
Restricted for Expendable	2,314,791	2,711,222	(396,431)
Unrestricted (exclusive of GASB 68 and 75)	20,187,619	18,751,058	1,436,561
Unrestricted (GASB 68 and 75 portion)	(173,875,469)	(79,676,660)	(94,198,809)
Total Net Position	<u>\$ (93,057,338)</u>	<u>\$ (1,191,117)</u>	<u>\$ (91,866,221)</u>

### **Statement of Revenues, Expenses and Changes in Net Position**

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present the revenues received by the University, both operating and nonoperating, the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the University. Operating revenues are those that are earned in exchange for goods or services provided while carrying out the mission of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are reported as nonoperating because they are provided by the legislature to the University without the legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses and Changes in Net Position is prepared on the accrual basis of accounting. Accrual accounting records the financial effects of transactions on an entity in the period in which those transactions occur rather than in the period in which cash is received or paid. Revenues are recognized when services or goods are provided. Expenses are recognized when resources are utilized in order to produce goods or services.

## CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2018

	2018	2017	Increase/ (Decrease)
Operating Revenues	\$ 106,205,708	\$ 99,266,221	\$ 6,939,487
Operating Expenses	<u>137,850,756</u>	<u>125,922,999</u>	<u>11,927,757</u>
Operating Loss	(31,645,048)	(26,656,778)	(4,988,270)
Nonoperating Revenues (Expenses)	<u>28,236,838</u>	<u>27,176,674</u>	<u>1,060,164</u>
Gain before Other Revenues, Expenses, Gains, or Losses	(3,408,210)	519,896	(3,928,106)
Other Revenues, Expenses, Gains, or Losses	<u>630,692</u>	<u>2,076,915</u>	<u>(1,446,223)</u>
Increase/(Decrease) in Net Position	<u>\$ (2,777,518)</u>	<u>\$ 2,596,811</u>	<u>\$ (5,374,329)</u>
Net Position – Beginning of Year	\$ (1,191,117)	\$ (3,787,928)	\$ 2,596,811
Cumulative Effect of Accounting and Reporting Entity Changes	(89,088,703)	0	(89,088,703)
Increase/(Decrease) in Net Position	<u>(2,777,518)</u>	<u>2,596,811</u>	<u>(5,374,329)</u>
Net Position – End of Year	<u>\$ (93,057,338)</u>	<u>\$ (1,191,117)</u>	<u>\$ (91,866,221)</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position for the year. Some highlights of the information presented on the Statement of Revenues, Expenses and Changes in Net Position are as follows:

- Operating Revenues increased overall by \$6,939,487, primarily in Grants and Contracts revenues. Most of that increase, \$6.1M, was recognized in CERRA's state funded Rural Teacher Recruitment (RTR) grant. Also, funding for state lottery scholarships increased by approximately \$365,000. In addition, as required by GASB 75, Grants and Contracts revenue reflects an increase of \$504,486 for the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities.

Operating Expenses increased overall by \$11,927,757. Of this increase, \$1.2M was related to personnel costs. This increase resulted from the distribution of salary dollars for the university's competitive compensation program and faculty promotions, as well as additional personnel costs incurred (primarily in temporary wages) to support the Winthrop Plan. The most significant increase in operating expenses was \$6M in fringe benefits costs. Of that \$6M, \$4.4M related directly to the reporting required by GASB 68 and 75 for pension and other postemployment benefit expenses. The remaining \$1.6M increase in fringe benefits costs resulted from the rate increases for retirement and health benefit premiums, as well as the amounts related to the increases in personnel costs. In addition, operating expenses increased (\$5.2M) in services and supplies for costs incurred in the Rural Teaching Recruitment Grant (\$5.9M) offset by a reduction in maintenance project expenses of \$880,000 as expenses for new maintenance projects in FY18 were less than expenses incurred in FY17 for the Withers Roof project. And finally, these increases were offset by a decline of \$444K in utilities, scholarship and fellowships, and depreciation costs.

- Nonoperating Revenues (Expenses) increased by a total of \$1,060,164. State Appropriations increased in total by \$365,443, of which \$276,024 was in additional recurring funds. In addition, Federal Grants and Contracts revenue increased by \$434,087 as a result of the increase in Pell grant awards, Investment Income increased by \$100,000, and Interest Expense declined by \$179,000.
- As a result of the changes in revenues and expenses, the University's overall Net Position decreased by \$91,866,221 in fiscal year 2018.

### **Capital Asset and Debt Activity**

The University issued no new debt in fiscal year 2018. With no new issues, and the year's principal and interest payments, as well as the amortization of bond premiums, the University's long term debt was reduced by \$4.5M in 2018. The University currently has no plans to issue additional debt within the next fiscal year.

### **Economic Outlook**

As a public institution, the University's economic outlook is directly affected by the State of South Carolina's economic position. In the Fiscal Year 2018-19 Appropriations Bill, the University received an additional \$847,576 in recurring appropriations.

The University will recognize increased employee benefit costs in the new year resulting from an increase in the South Carolina (SCRS) and Police Officer's (PORS) Retirement System rates (from 19.06% to 20.61% for SCRS and from 21.74% to 23.29% for PORS), as well as an increase in health and dental insurance premiums. Again, in 2018-19, the University is to receive a credit of \$505,189 from Public Employee Benefit Authority (PEBA) to help offset the increases in retirement rates. In addition, the University received an allocation of state funds in the amount of \$337,645 to help offset increased benefit costs. In Fall 2018, the University experienced some decline in overall enrollment, some of which was attributable to an increase in the University's graduation rates.

The University's Board of Trustees and management will continue to focus efforts on the Winthrop Plan goals while monitoring economic factors and will adjust budget projections accordingly to ensure the University's overall financial position remains sound.



Justin T. Oates  
Vice President for Finance and Business Affairs



Amanda Maghsoud  
Associate Vice President for Finance and Business

**WINTHROP UNIVERSITY**

## Statement of Net Position

June 30, 2018

**ASSETS****CURRENT ASSETS**

Cash and Cash Equivalents	\$ 22,662,196
Accounts Receivable, Net	4,048,757
Inventories	359,354
Accrued Interest Receivable	68,250
Prepayments	1,501,860
Total Current Assets	<u>28,640,417</u>

**NONCURRENT ASSETS**

Cash and Cash Equivalents	
Restricted	13,604,922
Endowment	1,028,763
Accounts Receivable, Net	1,491,575
Perkins Loans Receivable, Net	2,267,784
Capital Assets, Net	100,818,950
Total Noncurrent Assets	<u>119,211,994</u>
Total Assets	<u>147,852,411</u>

**DEFERRED OUTFLOWS OF RESOURCES**21,787,277

Total Assets and Deferred Outflows of Resources

169,639,688**LIABILITIES****CURRENT LIABILITIES**

Accounts Payable and Accrued Liabilities	12,577,634
Unearned Revenue	5,180,039
Current Portion of Long-Term Debt	5,784,121
Current Portion of Compensated Absences	1,827,068
Total Current Liabilities	<u>25,368,862</u>

**NONCURRENT LIABILITIES**

Compensated Absences	661,680
Perkins Loan Federal Liability	2,159,301
Bond Premium on Long-Term Debt	4,227,467
Long-Term Debt	36,238,668
Net Pension Liability	95,623,000
Net OPEB Liability	85,877,134
Total Noncurrent Liabilities	<u>224,787,250</u>
Total Liabilities	<u>250,156,112</u>

**DEFERRED INFLOWS OF RESOURCES**12,540,914

Total Liabilities and Deferred Inflows of Resources

262,697,026**NET POSITION**

Net Investment in Capital Assets	57,816,093
Restricted For:	
Nonexpendable:	
Scholarships and Fellowships	499,628
Expendable:	
Scholarships and Fellowships	318,830
Grants	622,312
Loans	276,674
Debt Service	1,096,975
Unrestricted	(153,687,850)
Total Net Position	<u>\$ (93,057,338)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2018

**REVENUES**

**OPERATING REVENUES**

Student Tuition and Fees (of which \$215,538 of Revenues are Pledged for Athletic Facility Revenue Bonds Series 2001A5 and \$6,092,576 of Revenues are Pledged for General Obligation Bonds) (Net of Scholarship Discounts and Allowances of \$39,145,527)	\$ 46,035,916
Grants and Contracts	34,325,097
Sales and Services of Educational Activities	3,285,185
Sales and Services of Athletic Activities	2,120,960
Sales and Services of Auxiliary Enterprise Activities (of which \$6,181,968 of Auxiliary Revenues are Pledged under the Higher Education Bond Act)	18,609,776
Other Fees	1,430,066
Other Operating Revenues	398,708
Total Operating Revenues	<u>106,205,708</u>

**EXPENSES**

Personnel Costs	56,994,459
Fringe Benefits	24,781,032
Service and Supplies	40,080,119
Utilities	3,428,182
Scholarships and Fellowships	7,491,415
Depreciation	5,075,549
Total Operating Expenses	<u>137,850,756</u>
Operating Loss	<u>(31,645,048)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	16,431,521
Grants and Contracts	914
Federal Grants and Contracts	9,684,175
Gifts	2,130,625
Investment Income/(Loss)	237,356
Interest Expense	(1,107,978)
Other Nonoperating Revenues	860,225
Net Nonoperating Revenues	<u>28,236,838</u>
Gain Before Other Revenues, Expenses, Gains or Losses	(3,408,210)
Federal Capital Grants and Contracts	-
Capital Appropriations	630,692
Increase/(Decrease) in Net Position	<u>(2,777,518)</u>

**NET POSITION**

Net Position - Beginning of Year	(1,191,117)
Cumulative Effect of Implementation of Accounting Pronouncement (Note 20)	<u>(89,088,703)</u>
Net Position - End of Year	<u><u>\$ (93,057,338)</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS



**WINTHROP UNIVERSITY**  
Statement of Cash Flows  
For the Year Ended June 30, 2018

**CASH FLOWS FROM OPERATING ACTIVITIES**

**CASH RECEIVED FROM**

Student Tuition and Fees (Net of Scholarship Discounts and Allowances)	\$ 42,277,609
Grants and Contracts	34,116,633
Sales and Services of Educational Activities	3,270,832
Sales and Services of Athletic Activities	2,090,369
Sales and Services of Auxiliary Enterprise Activities	18,609,776
Other Fees	1,430,066
Collection of Loans	361,748
Receipts of Funds Held for Others	(1,588,766)
Inflows from Federal Direct Lending Loans to Students	39,114,306
Other Receipts	398,708

**CASH PAID FOR**

Personnel Costs	(57,185,873)
Fringe Benefits	(18,917,206)
Service and Supplies	(39,246,232)
Utilities	(3,428,182)
Students	(7,430,468)
Loans to Students	(377,547)
Payments of Funds Held for Others	835,329
Outflows from Federal Direct Lending Loans to Students	(39,139,827)
Net Cash Used by Operating Activities	<u>(24,808,725)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	16,708,887
Gifts and Grants	2,116,818
Federal Grants and Contracts	9,556,270
Commissions	636,844
Other Sources	223,381
Principal Paid on Noncapital Debt and Lease	(4,685,000)
Proceeds from Debt	(1,083,144)
Net Cash Provided by Noncapital Financing Activities	<u>23,474,056</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from Capital Debt	2,318,078
Federal Capital Grants and Contracts	-
Capital Appropriations	630,692
Purchases of Capital Assets	(1,273,366)
Principal Paid on Capital Debt and Lease	(1,056,415)
Interest and Fees	(837,596)
Net Cash Used by Capital and Related Financing Activities	<u>(218,607)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income	<u>241,940</u>
Net Cash Provided by Investing Activities	<u>241,940</u>
Net Change in Cash and Cash Equivalents	(1,311,336)
Cash and Cash Equivalents - Beginning of Year	<u>38,607,217</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 37,295,881</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Cash Flows, Continued  
For the Year Ended June 30, 2018

**Reconciliation of Operating Loss to Net Cash  
Provided (Used) by Operating Activities:**

Operating Loss	\$ (31,645,048)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation Expense	5,075,549
Change in Assets and Liabilities:	
Accounts Receivable, Net	(183,765)
Inventories	19,456
Prepayments	(52,672)
Deferred Outflows of Resources	(3,693,039)
Accounts Payable and Accrued Liabilities	27,571
Accrued Salaries and Related Expenses	614,480
Unearned Revenue	(3,722,228)
Net Pension Liability	8,968,960
Net OPEB Liability	(3,211,569)
Deferred Inflows of Resources	3,045,755
Compensated Absences	(52,175)
	<hr/>
Net Cash Used by Operating Activities	<u><u>(24,808,725)</u></u>

**Reconciliation of Cash and Cash Equivalents to the Statement of Net Position**

Cash and Cash Equivalents Classified as Current	22,662,196
Cash and Cash Equivalents Classified as Noncurrent Restricted	13,604,922
Cash and Cash Equivalents Classified as Noncurrent Endowment	<hr/>
	<u>1,028,763</u>
	<hr/>
	<u><u>37,295,881</u></u>

**Non-Cash Transactions:**

Disposal of Capital Assets	(71,160)
Acquisition of Capital Assets Through Donations	14,721
	<hr/>
	<u>\$ (56,439)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**  
(With comparative information for December 31, 2016)

<b>Assets</b>	Unrestricted Fund	Temporarily Restricted Funds	Permanently Restricted		December 31	
			Endowment Funds	Split-Interest Agreements	2017 Total	2016 Total
Cash and Equivalents	\$ 853,583	-	-	-	853,583	445,538
Pledge Receivables	71,269	360,702	577,368	-	1,009,339	1,311,592
Less: Pledge Discounts	(2,276)	(19,698)	(12,781)	-	(34,755)	(33,056)
Less: Allowance for Doubtful Accts	(21,381)	(72,140)	(57,737)	-	(151,258)	(212,829)
Pooled Investments, at Fair Value	54,075,074	-	-	-	54,075,074	46,804,327
Split Interest Investments, at Fair Value	-	-	-	2,117,658	2,117,658	1,891,713
Due To/From Other Funds	(55,009,466)	1,346,101	53,410,123	253,242	-	-
Beneficial Interest in Perpetual Trust	-	-	-	777,787	777,787	733,101
Cash Value of Life Insurance	-	-	-	74,023	74,023	73,241
Office Furniture and Equipment, at Cost	164,528	-	-	-	164,528	164,528
Less: Accumulated Depreciation	(164,528)	-	-	-	(164,528)	(164,528)
<b>Total Assets</b>	<b>(33,197)</b>	<b>1,614,965</b>	<b>53,916,973</b>	<b>3,222,710</b>	<b>58,721,451</b>	<b>51,013,627</b>
<b>Liabilities and Net Assets</b>						
Liabilities:						
Accounts Payable	18,429	66,312	-	-	84,741	50,859
Payroll Liabilities	15,426	-	-	-	15,426	17,592
Actuarial Liability of Annuities Payable	-	-	-	1,802,987	1,802,987	1,873,042
Agency Funds	-	-	-	-	-	144,077
<b>Total Liabilities</b>	<b>33,855</b>	<b>66,312</b>	<b>-</b>	<b>1,802,987</b>	<b>1,903,154</b>	<b>2,085,570</b>
Net Assets:						
Unrestricted	(67,052)	-	-	-	(67,052)	108,176
Temporarily Restricted	-	1,548,653	-	-	1,548,653	2,254,107
Permanently Restricted	-	-	53,916,973	1,419,723	55,336,696	46,565,774
<b>Total Net Assets</b>	<b>(67,052)</b>	<b>1,548,653</b>	<b>53,916,973</b>	<b>1,419,723</b>	<b>56,818,297</b>	<b>48,928,057</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ (33,197)</b>	<b>1,614,965</b>	<b>53,916,973</b>	<b>3,222,710</b>	<b>58,721,451</b>	<b>51,013,627</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(With comparative information for the year ended December 31, 2016)

			Permanently Restricted		December 31	
	Unrestricted Fund	Temporarily Restricted Funds	Endowment Funds	Split-Interest Agreements	2017 Total	2016 Total
Revenues, Gains and Other Support:						
Contributions	\$ 269,169	1,710,397	1,002,760	-	2,982,326	4,377,194
Provision for Doubtful Accounts	65,249	(47,408)	43,730	-	61,571	-
Provision for Pledge Discounts	256	(18,442)	16,487	-	(1,699)	-
Investment Earnings	978	-	7,914,127	243,649	8,158,754	3,181,761
Change in Value of Split-Interest Trusts	-	-	-	114,741	114,741	727,773
Change in Cash Surrender Value	-	-	-	782	782	(2,357)
Reimbursement and Other	-	-	-	144,079	144,079	9,281
Total	<u>335,652</u>	<u>1,644,547</u>	<u>8,977,104</u>	<u>503,251</u>	<u>11,460,554</u>	<u>8,293,652</u>
Net Assets Released From Restrictions -	<u>2,120,509</u>	<u>(1,524,922)</u>	<u>(454,474)</u>	<u>(141,113)</u>	<u>-</u>	<u>-</u>
TOTAL	<u>2,456,161</u>	<u>119,625</u>	<u>8,522,630</u>	<u>362,138</u>	<u>11,460,554</u>	<u>8,293,652</u>
EXPENSES						
Operating:						
Salaries and Benefits	478,331	-	-	-	478,331	420,368
Directors' Expenses	2,596	-	-	-	2,596	2,415
Rent	11,269	-	-	-	11,269	11,626
Telephone	1,041	-	-	-	1,041	1,237
Office Supplies, Postage and Printing	10,858	-	-	-	10,858	8,137
Insurance	10,626	-	-	-	10,626	6,364
Professional Fees	17,419	-	-	-	17,419	24,362
Software	33,583	-	-	-	33,583	25,274
Depreciation	-	-	-	-	-	80
Travel and Entertainment	4,292	-	-	-	4,292	3,664
Credit Card Fees	10,199	-	-	-	10,199	8,806
Total Operating	<u>580,214</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,214</u>	<u>512,333</u>
Fund Raising:						
Development Salaries	215,599	-	-	-	215,599	382,271
Principal Gifts	18,363	-	-	-	18,363	24,716
Annual Fund	53,121	-	-	-	53,121	77,071
Donor Relations	8,957	-	-	-	8,957	13,382
Travel	7,188	-	-	-	7,188	19,593
Advancement Services	69,318	-	-	-	69,318	69,546
Total Fund Raising	<u>372,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>372,546</u>	<u>586,579</u>
Grants to Winthrop University:						
General Scholarships	250,340	-	-	-	250,340	436,785
Restricted Scholarships, Grants and Annuities	2,120,512	-	-	-	2,120,512	1,977,451
Alumni Association	71,422	-	-	-	71,422	101,300
Faculty Awards	-	-	-	-	-	6,497
Presidents Salary Supplement	175,280	-	-	-	175,280	175,280
Total Grants to Winthrop University	<u>2,617,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,617,554</u>	<u>2,697,313</u>
Total	<u>3,570,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,570,314</u>	<u>3,796,225</u>
Change in Net Assets Before Transfers	(1,114,153)	119,625	8,522,630	362,138	7,890,240	4,497,427
Transfers						
Charitable Gift Annuities	-	-	75,601	(75,601)	-	-
Management Fee	938,925	(938,925)	-	-	-	-
Other	-	113,846	19,367	(133,213)	-	-
NET ASSETS, BEGINNING	<u>108,176</u>	<u>2,254,107</u>	<u>45,299,375</u>	<u>1,266,399</u>	<u>48,928,057</u>	<u>44,430,630</u>
NET ASSETS, ENDING	<u>\$ (67,052)</u>	<u>1,548,653</u>	<u>53,916,973</u>	<u>1,419,723</u>	<u>56,818,297</u>	<u>48,928,057</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
**WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 904,809	71,398	976,207
Trustee cash reserved for operations	1,142,744	-	1,142,744
Accounts receivable	39,045	1,638	40,683
Mortgage note receivable	-	100,159	100,159
Prepaid expenses	16,216	-	16,216
Total current assets	2,102,814	173,195	2,276,009
Property and equipment, net	11,791,503	-	11,791,503
Other assets:			
Bond closing costs, net	118,398	-	118,398
Trustee cash reserved for debt service	1,009,004	-	1,009,004
Trustee cash reserved for repairs	918,519	-	918,519
Trustee cash reserved for operating contingencies	206,799	-	206,799
Real estate gifts	-	668,000	668,000
Total other assets	2,252,720	668,000	2,920,720
Total assets	16,147,037	841,195	16,988,232
<b><u>Liabilities and Net Assets</u></b>			
Current liabilities:			
Accounts payable	387,813	-	387,813
Current portion of long-term debt	580,000	-	580,000
Total current liabilities	967,813	-	967,813
Long-term debt :			
Bonds payable	14,390,000	-	14,390,000
Less: current portion of long-term debt	(580,000)	-	(580,000)
Total long-term debt	13,810,000	-	13,810,000
Total liabilities	14,777,813	-	14,777,813
Net Assets:			
Unrestricted	1,369,224	-	1,369,224
Temporarily restricted	-	841,195	841,195
Total net assets	1,369,224	841,195	2,210,419
Total liabilities and net assets	\$ 16,147,037	841,195	16,988,232

The accompanying notes are an integral part of these financial statements.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
**WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Temporarily Restricted	Total
<b><u>Changes in Net Assets</u></b>			
Revenue			
Program revenues	\$ 3,231,006	-	3,231,006
Real estate gifts	-	93,000	93,000
Income from real estate gifts, net	-	12,257	12,257
Rental income from Winthrop University	-	-	-
Rental income	-	-	-
Interest on mortgage note receivable	-	5,134	5,134
Other income	50	-	50
Total revenue	3,231,056	110,391	3,341,447
Net assets released from restrictions	197,683	(197,683)	-
Total revenue	3,428,739	(87,292)	3,341,447
Expenses			
Program services	2,624,567	-	2,624,567
Management and general	35,972	-	35,972
Mission gifts to related parties	402,512	-	402,512
Total expenses	3,063,051	-	3,063,051
Changes in net assets	365,688	(87,292)	278,396
Net assets, December 31, 2016	1,003,536	928,487	1,932,023
Net assets, December 31, 2017	\$ 1,369,224	841,195	2,210,419

The accompanying notes are an integral part of these financial statements.

**WINTHROP UNIVERSITY**  
Notes to Financial Statements  
June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations:** Winthrop University (the "University") is a State-supported, coeducational institution of higher education. Winthrop's primary mission is to provide personalized and challenging undergraduate, graduate and continuing professional education programs of national caliber within a context dedicated to public service to the State of South Carolina. All eligible bachelor, master and specialist degrees in the liberal arts and sciences, education, business and the visual and performing arts are nationally accredited.

**Reporting Entity:** Historically, the University has been treated as a part of the primary government of the State of South Carolina, and its funds were previously reported in the state's higher education enterprise funds in the Comprehensive Annual Financial Report of the State of South Carolina. During fiscal year 2012-13, the State of South Carolina implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* an amendment of GASB Statements No. 14 and No. 34. As a result of this implementation, the University is now reported as a discretely presented component unit on the State of South Carolina's Comprehensive Annual Financial Report. Discrete presentation entails reporting component unit financial data in one or more columns separate from the financial data of the primary government instead of blending the University's financial information into the State's financial information.

The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The University has determined that the financial reporting entity consists of the primary government, Winthrop University, as well as its' component units, The Winthrop University Foundation (the Foundation) and Winthrop University Real Estate Foundation, Inc. (WUREF, Inc.).

The Foundation, a legally separate component unit of Winthrop University, is an independent not-for-profit tax exempt public charity incorporated under the laws of South Carolina on November 8, 1973, and organized to foster, cooperate, and assist in the growth, development, and advancement of the University. The Foundation is governed by an independent Board of Directors, and is exclusively a charitable and educational corporation within the meaning of section 501(c) (3) of the IRS Code of 1954. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University.

The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. Effective July 1, 2003, the Foundation changed its financial year-end from June 30 to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2017. Complete financial statements for the Foundation can be obtained by calling 803-323-2229.

WUREF, Inc., also a legally separate component unit of Winthrop University, is a nonprofit corporation organized under the laws of the State of South Carolina in August 1999. WUREF, Inc. was formed for the benefit of the University and their stated purpose is to encourage gifts of real estate and to develop, own, manage, lease and sell real property for the University.

In fulfilling this purpose, WUREF, Inc. has formed two separate, wholly owned subsidiaries. In December 2001, WUREF Development, LLC (WUREF, LLC) was created in order to construct a new student housing opportunity for the University. The Courtyard at Winthrop (The Courtyard), a 406-bed, townhouse-style housing facility was completed and opened for occupancy in January 2003. WUREF, LLC's charge is to ensure the continued viability of The Courtyard through maximum occupancy percentages and fiscal responsibility.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Reporting Entity:** Continued

In November 2003, WUREF, Inc. also formed Winthrop Real Estate, LLC (WRE, LLC). WRE, LLC was created in order to develop, own, manage, lease and sell real property for the University.

All financial activities of the two separate organizations have been consolidated in the financial statements of WUREF, Inc.

The majority of resources, or income thereon, that WUREF, Inc. holds and invests are restricted to the activities of the University. Because these restricted resources held by WUREF, Inc. can only be used by, or for the benefit of, the University, WUREF, Inc. is considered a component unit of the University.

WUREF, Inc. is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. WUREF, Inc. previously maintained a June 30 accounting year-end. On October 21, 2003, the board of directors elected to revise its fiscal year end to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2017. Complete financial statements for WUREF, Inc. can be obtained by calling 803-323-2374.

The Foundation and WUREF, Inc. report their financial results in accordance with Financial Accounting Standard Board (FASB) Statements. Most significant to their operations and reporting models are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to either the Foundation or WUREF, Inc.'s financial information in the University's financial reporting entity for these differences, however significant note disclosures (See Note 19) to the Foundation and WUREF Inc.'s financial statements have been incorporated into the University's Notes to the Financial Statements.

**Basis of Presentation:** Effective July 1, 2001, the financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also meets the requirements of GASB Statements 36, 37, and 38 that were issued to amend Statements 34 and 35. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net assets, revenues, expenses and changes in net assets and cash flows that replaces the fund-group perspective previously required.

For 2013, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the University's 2013 financial statements; however, there was no effect on beginning net position.

Effective for the fiscal year ending June 30, 2014, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 identifies deferred outflows of resources and deferred inflows of resources for certain items previously reported as assets and liabilities. Adoption of this statement resulted in no material impact to the University.

Effective for the fiscal year ending June 30, 2015, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27*. The University reports its proportionate share of the State of South Carolina's net pension liability (See Note 10).



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Basis of Presentation:** Continued

Effective for the fiscal year ending June 30, 2018, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The University will now report its proportionate share of the State of South Carolina's net Other Post Employment Benefits (OPEB) liability. Since the information for the restatement of beginning balances of deferred inflows of resources or deferred outflows of resources is not available for the earliest period presented, the cumulative effect of applying this statement will be shown as restatement to ending net position as of June 30, 2017. See Notes 11 and 20 for discussion of the impact of this implementation to the University.

**Basis of Accounting:** For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intra-institutional transactions have been eliminated.

The University has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

**Accounts Receivable:** Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students. Accounts receivable also include amounts due from the Federal government, State and Local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The Perkins Loan Receivable is presented entirely as noncurrent (see Note 3).

**Inventories:** Inventories are carried at cost determined by using the first in first out method for all inventories except Printing Services whose inventory is based on "last price paid" and the Health Center inventory of pharmaceutical drugs and miscellaneous items which is based on last in first out.

**Prepayments:** Prepayments arise when the University pays for goods or services in advance. Such transactions typically occur for insurance and travel. The policy is to record as a prepayment any transaction over \$1,000 for which payment had been made prior to June 30, 2018 but for which the goods or services would not be received until after July 1, 2018.

**Capital Assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Capital Assets:** Continued

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The University has selected a useful life of 25 to 50 years for buildings, renovations and land improvements. The useful life for machinery, equipment and vehicles varies between 2 and 25 years depending on the asset. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition. Effective July 1, 2011, all new purchases of capital assets are depreciated based on the prorated number of days in service in the year acquired. In the year the asset is disposed, depreciation is calculated for the prorated number of days in service until the asset is removed from service.

Interest cost incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed net of interest earned on the invested proceeds over the same period.

**Deferred Outflows of Resources and Deferred Inflows of Resources:** Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined these elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively.

Deferred outflows of resources includes the deferred amount on a bond refunding which is being recognized as a component of interest expense in a systematic manner over the life of the debt. Deferred inflows of resources represents resources received on voluntary nonexchange transactions relating to a future period.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. See Note 10 for further details.

Changes in net OPEB liability not included in OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net OPEB liability are reported as deferred outflows of resources. See Note 11 for further details.

**Unearned Revenues:** Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but relate to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Other types of unearned revenues represent admissions prepayments and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

**Compensated Absences:** Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Position, and as a component of personnel costs in the Statement of Revenues, Expenses and Changes in Net Position.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Net Assets:** The University's net assets are classified as follows:

*Net investment in capital assets:* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

*Restricted net assets - nonexpendable:* Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted net assets - expendable:* Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The University's policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

**Classification of Revenues:** The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, health services and other related services to students; (2) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and (3) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake. Certain indentures require the University to pledge various revenues to meet debt payments. The University has disclosed those revenues pledged on the face of the Statement of Revenues, Expenses and Changes in Net Position.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, interest income and any grants and contracts that are not classified as operating revenues or restricted by the grantor to be used exclusively for capital purposes.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Scholarship Discounts and Allowances:** Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

**Sales and Services of Educational Activities:** Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research and public service activities that incidentally create goods and services which may be sold to students, faculty, staff and the general public. The University receives such revenues primarily from public service activities.

**Sales and Services of Athletic Activities:** Revenues from sales and services of athletic activities generally consist of amounts received from athletic event ticket sales, advertising sales and participatory fees received from opposing teams.

**Sales and Services of Auxiliary Enterprises Activities:** Auxiliary enterprise revenues primarily represent revenues generated by housing, cafeterias, health services, vending and bookstore. Internal services of auxiliary enterprise activities and the related expenditures of University departments have been eliminated.

**Use of Estimates in Accounting:** The University has used estimates in certain situations to enable it to properly prepare the financial statements. Estimates are used to determine the useful life of long-lived assets such as buildings and equipment. The University has used estimates as provided by the South Carolina Comptroller General's Office in developing the estimates of useful lives. In addition, the University has estimated the percentage of accounts receivable that may not be collected, typically known as the allowance for doubtful accounts. The University uses an aging analysis to estimate this allowance - the longer the accounts receivable has gone unpaid, the greater the possibility the amount will not be collected.

**Income Taxes:** Winthrop University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

In December Congress passed, and the President signed into law, the Tax Cuts and Jobs Act (TCJA) of 2017. This legislation featured several changes that could ultimately impact both public and private higher education institutions, their benefactors and employees. As of June 30, 2018, the Internal Revenue Service had yet to provide guidance in the form of proposed regulations and/or notices, or amended tax forms regarding the implementation of the TCJA by exempt organizations. Consequently, the University has not accrued a liability for any changes referenced in the TCJA. It is our opinion, that had any liabilities been recorded, they would not have been material to the University's financial statements.

**Component Units:** See Note 19.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**

All deposits of the University are under the control of the State Treasurer, who by State law, has sole authority for investing State funds.

The following schedule reconciles Deposits to the Statement of Net Assets amounts:

STATEMENT OF NET ASSETS:	
Cash and Cash Equivalents - Current	\$ 22,662,196
Cash and Cash Equivalents - Restricted	
Debt Service	1,820,497
Capital Project	5,784,225
Student Loan	6,048,640
Grants and Contracts	(48,440)
Other	-
Cash and Cash Equivalents - Endowment	1,028,763
Total	<u><u>37,295,881</u></u>
DEPOSITS:	
Cash on Hand	231,065
Deposits Held by State Treasurer	37,064,816
Other Deposits	-
Total	<u><u>\$ 37,295,881</u></u>

**Perkins Loan Program Cash**

At June 30, 2018, Winthrop University had approximately \$138,859 in an account with a Financial Institution for exclusive use by the Perkins Loan Program. Approximately \$0 of these funds is not collateralized.

**Deposits Held by State Treasurer**

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2018, Winthrop University had \$37,064,816 in Deposits Held by State Treasurer. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Concentration of Credit Risk and Market Risk - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The Foundation's concentration of potential credit and market risk lies primarily with its investments. This exposure is limited by the Foundation's investment objectives and policies that require the investment portfolio be adequately diversified among types, issuers, industries and geographic regions and utilizes multiple investment managers. The Foundation also had a concentration of cash in one bank account that exceeded the FDIC insurance limits by \$603,583 at December 31, 2017. These deposits were in a high credit quality institution.

Concentration of Credit Risk - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

WUREF, Inc. maintains bank accounts at various banks. The Federal Deposit Insurance Corporation (FDIC) insures accounts at an individual institution up to \$250,000. The amounts on deposit at each bank, at times during the year, may have exceeded the federally insured limit. The amount on deposit in excess of the federally insured limit at December 31, 2017 was \$3,879,289.

Cash and Cash Equivalents - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The Foundation considers all interest bearing money market accounts and short-term investments with an initial maturity of three months or less at the date of purchase to be cash equivalents. The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation provides coverage for certain qualifying and participating non-interest bearing transaction accounts up to an aggregate of \$250,000 per bank per taxpayer.

As of December 31, 2017, the Foundation had a bank balance of \$853,583 which exceeds FDIC Insurance limits by \$603,583.

Cash and Cash Equivalents - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Cash and cash equivalents at December 31, 2017 were as follows:

Unrestricted	\$	904,809
Restricted		71,398
	\$	<u>976,207</u>

The restricted cash must be transferred to The Winthrop University Foundation (a related party) when the related real estate gifts are sold in the future.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Trustee Cash - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Trustee cash is monies on deposit within WUREF, LLC. These funds relate to the issuance of bonds for the purposes of The Courtyard. The funds were obtained either from the proceeds of the issuance of the bonds, or were allocated from operations to the reserve accounts in compliance with covenants agreed upon in the bond issuance. The trustee cash accounts at December 31, 2017 are as follows:

Trustee cash reserved for operations	\$ 1,142,744
Trustee cash reserved for debt service	1,009,004
Trustee cash reserved for repairs	918,519
Trustee cash reserved for operating contingencies	<u>206,799</u>
	<u><u>\$ 3,277,066</u></u>

Investments - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

During the year, the Foundation invested its portfolio with Vanguard. The investment portfolio includes all Foundation funds except unrestricted funds. Pooling these assets serves to maximize the earnings potential of the funds.

There were no investments in a net unrealized loss position as of December 31, 2017.

Investments at December 31, 2017 are summarized as follows:

	<u>Vanguard</u>	<u>Vanguard Brokerage</u>	<u>Combined Portfolio Assets</u>
Cash	\$ -	-	-
Money Market Funds	-	-	-
Fixed Income (Bonds/ABS) Funds	3,886,766	-	3,886,766
US Large Cap Equity	16,055,798	-	16,055,798
US Small/Mid Cap Equity	-	270,787	270,787
Preferred Stock	-	-	-
International Equity	13,771,829	-	13,771,829
Mutual Funds	15,125,114	-	15,125,114
Hedge Funds	-	-	-
Exchange-Traded Products	-	-	-
REITs	4,963,418	-	4,963,418
Public Real Estate	-	-	-
Fidelity	1,362	-	1,362
<b>Total Investments</b>	<u><u>\$ 53,804,287</u></u>	<u><u>270,787</u></u>	<u><u>54,075,074</u></u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Investments - Non Governmental Discretely Presented Component Unit, Continued

***The Winthrop University Foundation***

Investment earnings for the year ended December 31, 2017 consisted of:

Dividends and Interest	\$ 1,086,423
Unrealized Gains (Losses)	6,893,928
Fees/Evaluation Adjustment	(32,392)
Realized Gains (Losses)	210,795
	<u>\$ 8,158,754</u>
Allocation to Unrestricted	\$ 978
Allocation to Charitable Gift Annuities	243,649
Allocation to Endowments	7,914,127

Fair Value Measurements - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The Foundation is required to present its financial instruments using a framework that measures fair value under accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. This statement requires fair value measurements to be classified and disclosed in one of the following three categories (Fair Value Hierarchy):

- Level 1 Financial instruments with unadjusted, quoted prices listed on active market exchanges.
- Level 2 Financial instruments valued using inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for the Foundation's assets measured at fair value at December 31, 2017:

**Money Market Fund:** Valued at NAV. The Foundation invests in this fund to provide daily liquidity. Fair value is based on the NAV that can be validated with a sufficient level of observable activity (i.e. purchases and sales at NAV). The Foundation did not hold any of these assets at December 31, 2017 (Level 2).

**Equities:** Valued at the closing price reported on the active market on which the individual Securities are traded (Level 1).

**EFTs, Mutual Funds, US and Non-US Equity Funds, US and Non-US Fixed Income Funds:** Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds registered with the Securities and Exchange Commission. These funds



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS,** Continued

Fair Value Measurements - Non Governmental Discretely Presented Component Unit, Continued

***The Winthrop University Foundation***

are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded (Level 1).

**REITs:** Shares in real estate investment trusts are actively traded and are reflected at the daily closing price (Level 1).

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value at December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
EFTs	\$ 22,110	-	-	22,110
Mutual Funds	2,008	-	-	2,008
US Equity	246,667	-	-	246,667
US Equity Index Funds	20,324,294	-	-	20,324,294
Non-US Equity Index Funds	13,771,829	-	-	13,771,829
US Fixed Income Index Funds	10,857,981	-	-	10,857,981
Non-US Fixed Income Index Funds	3,886,766	-	-	3,886,766
REIT Index Funds	4,963,419	-	-	4,963,419
<b>Total</b>	<u>\$ 54,075,074</u>	<u>-</u>	<u>-</u>	<u>54,075,074</u>

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2018, are summarized as follows:

State Appropriations	\$ 832,097
Student Accounts	4,434,623
Less Allowance for Doubtful Accounts	(1,582,844)
Student Loans Receivable - Federal Perkins	2,267,784
Less Allowance for Doubtful Accounts	-
Federal Grants and Contracts	710,671
State Grants and Contracts	324,012
Local Grants and Contracts	2,439
Foundations	487,952
Capital Improvement Bond Funds	128
Other	331,254
Total Accounts Receivable, Net of Allowance	7,808,116
Less: Noncurrent Perkins Loan Receivable (See Note 4)	(2,267,784)
Less: Noncurrent Student Accounts Receivable,	
Net of Allowance for Doubtful Accounts	(1,491,575)
Accounts Receivable, Net - Current	<u>\$ 4,048,757</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 3 – ACCOUNTS RECEIVABLE,** Continued

The State appropriations receivable represents monies due from the State General Fund for applicable University personnel services and employer contribution expenditures accrued at June 30 but paid in July from 2018-2019 appropriations. State law provides for such payroll costs to be paid from next year's appropriations.

Allowances for doubtful accounts for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2018, the allowance for uncollectible student accounts is valued at \$1,582,844.

The capital improvement bond funds receivable represents funds held by the State Treasurer that have been expended but not drawn.

Contributions Receivable - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

Contributions receivable consist of pledges receivable and estimated receivables from split-interest trusts for which the Foundation is the remainder beneficiary but not the trustee. They are summarized as follows at December 31, 2017:

Less than One Year	\$ 163,954
One to Five Years	829,185
Over Five Years	16,200
	<u>1,009,339</u>
Less Unamortized Discount	(34,755)
Less Allowance for Doubtful Pledges	<u>(151,258)</u>
Net Unconditional Promises to Give	<u><u>\$ 823,326</u></u>

Management has determined the allowance for doubtful pledges based on historical experience and a review of individual accounts. Discount rates ranged from 0.740% to 1.470%.

Mortgage Note Receivable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

On December 20, 2013, WUREF, Inc. entered into a mortgage note agreement of \$115,000 with a real estate company with an average interest rate of 5.00 percent. The note resulted from the sale of a gift of real estate and is being held for The Winthrop University Foundation. The note is due in quarterly installments plus interest. On December 1, 2018, there is a final balloon payment due of all outstanding principal and interest. Maturity on the mortgage note receivable is scheduled as follows for years ending December 31:

2018	100,159
2019	-
2020	-
	<u><u>\$ 100,159</u></u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 4 - PERKINS LOANS RECEIVABLE AND FEDERAL LIABILITY**

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2018. The entire receivable balance, as well as cash on hand associated with the program, is classified as Noncurrent Restricted Assets. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education. At June 30, 2018, the allowance for uncollectible student loans is valued at \$0 because the U.S. Department of Education has the ultimate responsibility for collecting the loan.

The funds contributed by the Federal Government are refundable in the event the University decides to no longer participate in the program. Although the University plans to consider participating in the Perkins Loan Program for the foreseeable future, the University has recorded a long-term liability in the amount of \$2,159,301, representing the Federal portion of the loan program at June 30, 2018. The U.S. Congress began discussions regarding the reauthorization of Title 20 USC Sec 1087ff dealing with the Perkins Loan Program during fiscal year 2005. Although the University has no knowledge that any changes in the current program are anticipated, the law provides for the refunding of all Federal Capital Contributions beginning March 31, 2005 and continuing through March 31, 2012 (as proceeds are received from borrowers repaying their loans) if the program is not reauthorized.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 is summarized as follows:

	Beginning Balance July 1, 2017	Increases	Decreases	Ending Balance June 30, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 5,539,853	-	-	5,539,853
Construction in Progress	-	-	-	-
Collections	198,631	-	-	198,631
Total Capital Assets Not Being Depreciated	5,738,484	-	-	5,738,484
Other Capital Assets:				
Buildings and Improvements	184,917,978	-	-	184,917,978
Machinery, Equipment and Other	17,463,555	1,359,248	(1,063,161)	17,759,642
Vehicles	470,976	-	(123,341)	347,635
Total Other Capital Assets at Historical Cost	202,852,509	1,359,248	(1,186,502)	203,025,255
Less Accumulated Depreciation For:				
Buildings and Improvements	(91,489,411)	(4,085,846)	-	(95,575,257)
Machinery, Equipment and Other	(12,109,198)	(978,876)	992,000	(12,096,074)
Vehicles	(385,973)	(10,827)	123,342	(273,458)
Total Accumulated Depreciation	(103,984,582)	(5,075,549)	1,115,342	(107,944,789)
Capital Assets, Net	\$ 104,606,411	(3,716,301)	(71,160)	100,818,950

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 5 - CAPITAL ASSETS,** Continued

Net Investment in capital assets of \$57,816,093 as of June 30, 2018 is determined as follows:

Capital Assets, Net	\$ 100,818,950
Less Debt:	
Current Portion of Long-Term Debt	(5,784,121)
Long-Term Debt	(36,238,668)
Bond Premium on Long-Term Debt	(4,227,467)
Advanced Refunding	1,906,185
Plus Note Payable/Non Capital	1,052,454
Plus Unspent Bond Proceeds	288,760
Total Invested in Capital Assets, Net of Related Debt	<u><u>\$ 57,816,093</u></u>

Equipment - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

A summary of equipment at December 31, 2017 follows:

Equipment	\$ 164,528
Less Accumulated Depreciation	<u>(164,528)</u>
Net Fixed Assets	<u><u>\$ -</u></u>

Depreciation expense for the year ended December 31, 2017 was \$0.

Property and Equipment - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Account balances as of December 31, 2017 are as follows:

Land	\$ 535,823
Buildings	15,989,063
Furniture and Fixtures	680,414
Machinery and Equipment	<u>93,439</u>
	17,298,739
Less: Accumulated Depreciation	<u>(5,507,236)</u>
	<u><u>\$ 11,791,503</u></u>

Depreciation charged to expense during 2017 was \$326,061. This is a non-cash expense.

**NOTE 6 – DEFERRED OUTFLOWS OF RESOURCES**

As of June 30, 2018, deferred outflows of resources related to pension plans is \$16,897,573 (see Note 10). As of June 30, 2018, the University has deferred outflows of resources related to postemployment benefits other than pensions (OPEB) of \$2,976,018 (see Note 11).

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 6 – DEFERRED OUTFLOWS OF RESOURCES,** Continued

On May 1, 2012, the University issued General Obligation Bonds to refund outstanding General Obligation Bonds (see Note 8). These current refundings and advanced refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,035,984. As of June 30, 2018, the University has \$310,795 remaining on this deferred amount on bond refundings which is being recognized as a component of interest expense on an annual basis over the life of the new bond.

On March 1, 2016, the University issued General Obligation Bonds to refund outstanding General Obligation Bonds (see Note 8). This advanced refunding resulted in a net deferred advance refunding of \$1,759,850. As of June 30, 2018, the University has \$1,322,480 remaining on this which is being recognized as a component of interest expense on an annual basis over the remaining life of the old bond or the life of the new bond, whichever is shorter.

On June 1, 2016, the University issued Higher Education Facility Revenue Bonds Series 2016A and 2016B to refund outstanding Higher Education Facility Revenue Bonds (see Note 8). These advanced refundings resulted in a net deferred advance refunding of \$436,655. As of June 30, 2018, the University has \$272,910 remaining on these which is being recognized as a component of interest expense on an annual basis over the remaining life of the old bond or the life of the new bond, whichever is shorter.

The remaining balance in deferred outflows of resources represents a deposit the University paid on a five year contract to an external vendor. At the end of the contract period, the vendor will return this deposit to the University.

**NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts Payable and Accrued Liabilities as of June 30, 2018, are summarized as follows:

CURRENT	
Accrued Payroll and Related Liabilities	\$ 3,776,540
Trade Payables	2,045,761
Accrued Interest Payable	470,950
Funds Held in Trust	5,991,309
Student Deposits and Prepayments	250,289
Construction Contract Retainage	41,285
Other Accrued Liabilities	1,500
Total Accounts Payable	<u>\$ 12,577,634</u>

**Accounts Payable - Non Governmental Discretely Presented Component Unit**

***Winthrop University Real Estate Foundation, Inc.***

At December 31, 2017, accounts payable primarily consisted of \$330,203 in funds owed to Winthrop University (a related party) in connection with amounts due to them for management of The Courtyard.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 8 - LONG-TERM DEBT**

Long-term debt for the year ended June 30, 2018 is as follows:

	June 30, 2017	Additions	Reductions	June 30, 2018	Due Within One Year
Bonds, Notes and Capital Leases					
General Obligation Bonds	\$ 34,835,000	-	(3,345,000)	31,490,000	3,525,000
Unamortized Premium	5,310,611	-	(1,083,144)	4,227,467	-
Athletic Facilities Bond	480,000	-	(120,000)	360,000	120,000
Higher Education Facilities Bond	8,200,000	-	(1,220,000)	6,980,000	1,240,000
Notes Payable	455,000	61,505	(455,000)	61,505	-
Master Lease Program					
Notes Payable	1,476,126	2,000,000	(578,105)	2,898,021	853,930
Capital Lease Obligations (See Note 9)	-	256,573	(23,310)	233,263	45,191
Total Bonds, Notes and Capital Leases	50,756,737	2,318,078	(6,824,559)	46,250,256	5,784,121
Other Liabilities					
Accrued Compensated Absences	2,540,923	1,774,893	(1,827,068)	2,488,748	1,827,068
Perkins Loan Federal Liability	2,163,654	-	(4,353)	2,159,301	-
Total Other Liabilities	4,704,577	1,774,893	(1,831,421)	4,648,049	1,827,068
Total Long-Term Liabilities	\$ 55,461,314	4,092,971	(8,655,980)	50,898,305	7,611,189

**Bonds Payable**

Bonds payable consisted of the following at June 30, 2018:

	Rates	Dates	Balance
General Obligation Bonds			
Series 2008B	3.25% to 5.0%	04/01/18	\$ -
Series 2009A	2.5% to 4.12%	04/01/19	640,000
Series 2012D	4.0% to 5.0%	04/01/22	7,150,000
Series 2012E	2.5% to 5.0%	04/01/24	1,280,000
Series 2013A	3.0% to 5.0%	10/01/25	2,195,000
Series 2016B	5.00%	04/01/29	20,225,000
Total General Obligation Bonds			31,490,000
Athletic Facilities			
Revenue Bonds Series 2001A5	4.59%	10/01/20	360,000
Higher Education Facilities			
Revenue Bonds Series 2016A	1.92%	04/01/24	5,930,000
Revenue Bonds Series 2016B	2.92%	04/01/24	1,050,000
Total Higher Education Facilities			6,980,000
Total Bonds Payable			\$ 38,830,000

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable, Continued

General Obligation Bonds are backed by the full faith, credit and taxing power of the State of South Carolina. Tuition revenue is pledged up to the amount of annual debt requirements for the payment of principal and interest on General Obligation Bonds. The legal debt margin for General Obligation Bonds is that the maximum amount of annual debt service shall not exceed ninety percent of tuition for the preceding fiscal year. Tuition bond fees for the preceding year 2017 were \$6,186,735, which results in a legal annual debt service at June 30, 2018 of \$5,568,061.

The Athletic Facilities Revenue Bond covenants require the University to pledge revenues from a special student fee imposed upon students as part of the cost of attending the University and a special admissions fee on all paid admissions to athletic facilities. The Auxiliary Facilities Revenue Bond covenants require the University to pledge the revenues of the bookstore for payment of principal and interest. The Higher Education Facilities Bond covenants require the University to pledge the net revenues from housing facilities for payment of principal and interest.

The scheduled maturities of the bonds payable by type are as follows:

		Principal	Interest	Payments
General Obligation Bonds				
2008B	2019	-	-	-
	2020	-	-	-
	2021	-	-	-
	2022	-	-	-
	2023	-	-	-
	2024-2028	-	-	-
	2029-2033	-	-	-
	2034-2038	-	-	-
Total Series 2009A Bonds		<u>\$ -</u>	<u>-</u>	<u>-</u>
2009A	2019	640,000	25,600	665,600
	2020	-	-	-
	2021	-	-	-
	2022	-	-	-
	2023	-	-	-
	2024-2028	-	-	-
	2029-2033	-	-	-
	2034-2038	-	-	-
Total Series 2009A Bonds		<u>\$ 640,000</u>	<u>25,600</u>	<u>665,600</u>
2012D	2019	1,715,000	357,500	2,072,500
	2020	1,795,000	271,750	2,066,750
	2021	1,905,000	182,000	2,087,000
	2022	1,735,000	86,750	1,821,750
	2023	-	-	-
	2024-2028	-	-	-
	2029-2033	-	-	-
	2034-2038	-	-	-
Total Series 2012D Bonds		<u>\$ 7,150,000</u>	<u>898,000</u>	<u>8,048,000</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 8 - LONG-TERM DEBT**, Continued

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
General Obligation Bonds, Continued				
2012E	2019	190,000	53,525	243,525
	2020	200,000	44,025	244,025
	2021	205,000	34,025	239,025
	2022	220,000	23,775	243,775
	2023	230,000	12,775	242,775
	2024-2028	235,000	5,875	240,875
	2029-2033	-	-	-
	2034-2038	-	-	-
Total Series 2012E Bonds		<u>\$ 1,280,000</u>	<u>174,000</u>	<u>1,454,000</u>
2013A	2019	235,000	88,350	323,350
	2020	245,000	78,750	323,750
	2021	255,000	68,750	323,750
	2022	265,000	57,025	322,025
	2023	280,000	43,400	323,400
	2024-2028	915,000	49,300	964,300
	2029-2033	-	-	-
	2034-2038	-	-	-
Total Series 2013A Bonds		<u>\$ 2,195,000</u>	<u>385,575</u>	<u>2,580,575</u>
2016B	2019	745,000	1,011,250	1,756,250
	2020	1,445,000	974,000	2,419,000
	2021	1,520,000	901,750	2,421,750
	2022	1,595,000	825,750	2,420,750
	2023	2,795,000	746,000	3,541,000
	2024-2028	11,385,000	1,695,500	13,080,500
	2029-2033	740,000	37,000	777,000
	2034-2038	-	-	-
Total Series 2016B Bonds		<u>\$ 20,225,000</u>	<u>6,191,250</u>	<u>26,416,250</u>
Athletic Facilities Revenue Bond				
2001A5	2019	120,000	16,524	136,524
	2020	120,000	11,016	131,016
	2021	120,000	5,508	125,508
	2022	-	-	-
	2023	-	-	-
	2024-2028	-	-	-
	2029-2033	-	-	-
Total Series 2001A5 Bonds		<u>\$ 360,000</u>	<u>33,048</u>	<u>393,048</u>



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 8 - LONG-TERM DEBT**, Continued

		Principal	Interest	Payments
Higher Education Facilities Revenue Bonds				
2016A	2019	1,080,000	113,832	1,193,832
	2020	1,100,000	93,101	1,193,101
	2021	1,110,000	71,985	1,181,985
	2022	1,130,000	50,677	1,180,677
	2023	1,140,000	28,986	1,168,986
	2024-2028	370,000	7,103	377,103
	2029-2033	-	-	-
Total Series 2016A Bonds		<u>\$ 5,930,000</u>	<u>365,684</u>	<u>6,295,684</u>
2016B	2019	160,000	30,660	190,660
	2020	170,000	25,988	195,988
	2021	170,000	21,024	191,024
	2022	175,000	16,060	191,060
	2023	185,000	10,950	195,950
	2024-2028	190,000	5,548	195,548
	2029-2033	-	-	-
Total Series 2016B Bonds		<u>\$ 1,050,000</u>	<u>110,230</u>	<u>1,160,230</u>

On June 19, 2008, Winthrop University issued \$14,000,000 in General Obligation Bonds Series 2008B with an average interest rate of 4.22 percent. The proceeds were used for the construction of a new campus center and a new auditorium for the College of Business. The University paid the final installment of this bond payable in June 2018. As of June 30, 2018, the University had completed amortizing the premium over the life of the bond.

On June 22, 2009, Winthrop University issued \$13,850,000 in General Obligation Bonds Series 2009A with an average interest rate of 4.43 percent. The proceeds were used for the construction of a new campus center. As of June 30, 2018, the University has unamortized premium of \$10,707 which is being amortized over the life of the bond.

On May 1, 2012, the University issued at par \$13,140,000 with a premium of \$2,800,071 in General Obligation Bonds for the purpose of refunding \$14,720,000 of outstanding General Obligation Bonds (Series 2001A2, 2001B5, 2003C, 2004A1 and 2005B). The 2012D bonds bear an average coupon rate of 4.987637 percent with the final payment due April 1, 2022. The refunded bonds carried an average coupon rate of 4.189946 percent with the final payment due April 1, 2022.

The net proceeds of \$15,838,426 (after payment of \$101,645 in underwriting fees and other issuance costs) were used to repay \$5,010,000 of principal and \$19,308 of interest for Series 2001A2, 2001B5 and 2003C bonds. In order to accomplish the current refunding, the University had to pay a 1 percent call premium (\$50,100) to holders of these outstanding bonds, which was paid from the bond proceeds. There was also \$12,008 of additional proceeds remaining from the issuance that was transferred to offset any additional issuance costs.

The remaining proceeds of \$10,747,010 were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$3,040,000 and \$6,670,000, respectively, on Series 2004A1 with a call date of December 1, 2013 and on Series 2005B with a call date of October 1, 2015. Unamortized bond premiums on series 2004A1 and 2005B were \$51,126 at the date of advance refunding. As a result, Series 2004A1 and Series 2005B bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable, Continued

Both refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,035,984. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2022. The University completed the refundings to reduce its total debt service payments over the next 10 years by \$1,580,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,203,239. As of June 30, 2018, the University has unamortized premium of \$328,437 which is being amortized over the life of the bond.

On May 1, 2012, Winthrop University issued \$2,245,000 in General Obligation Bonds Series 2012E with an average coupon rate of 4.203240 percent. The proceeds are being used for renovations, repurposing, and other deferred maintenance projects on campus. As of June 30, 2018, the University has unamortized premium of \$87,709 which is being amortized over the life of the bond.

On December 10, 2013, Winthrop University issued \$3,045,000 in General Obligation Bonds Series 2013A with an average coupon rate of 4.152352 percent. The proceeds are being used for renovations, repurposing, and other maintenance projects on campus. As of June 30, 2018, the University has unamortized premium of \$126,150 which is being amortized over the life of the bond.

On March 1, 2016, the University issued at par \$20,290,000 with a premium of \$5,505,632 in General Obligation Bonds for the purpose of refunding \$23,700,000 of outstanding General Obligation Bonds (Series 2005B, 2006A, 2008B, and 2009A). The 2016B bonds bear an average coupon rate of 5.00 percent with the final payment due April 1, 2029. The refunded bonds carried an average coupon rate of 4.182093 percent with the final payment due April 1, 2029.

The net proceeds of \$25,555,607 (after payment of \$235,537 in underwriting fees and other issuance costs), combined with \$2,432 held in the University's debt service funds, were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$3,500,000 on Series 2005B with a call date of March 31, 2016, \$3,885,000 on Series 2006A with a call date of April 1, 2016, \$8,315,000 on Series 2008B with a call date of April 1, 2018 and \$8,000,000 on Series 2009A with a call date of April 1, 2019. There was \$4,488 of additional proceeds remaining from the issuance. Unamortized bond premiums on series 2005B, 2006A, 2008B and 2009A were \$98,189 at the date of advance refunding. As a result, Series 2005B, 2006A, 2008B and 2009A bonds are considered to be defeased and the refunded portion of the liability for those bonds has been removed from the Statement of Net Position.

This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,759,850. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2028. The University completed the refunding to reduce its total debt service payments over the next 13 years by \$3,425,502 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3,130,107. As of June 30, 2018, the University has unamortized premium of \$3,674,464 which is being amortized over the life of the bond.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable, Continued

On June 1, 2016, the University issued \$7,735,000 in Tax Exempt Higher Education Facilities Revenue Bonds for the purpose of refunding \$7,275,000 of outstanding General Obligation Bonds (Series 2009A and 2011). The 2016A bonds bear an average coupon rate of 1.9196 percent with the final payment due April 1, 2024.

The net proceeds of \$7,566,541 (after payment of \$65,500 in issuance costs), combined with \$128,866 held in the University's debt service funds, were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$2,715,000 on Series 2009A and \$4,560,000 on Series 2011 with applicable interest. There was \$102,959 of additional proceeds remaining from the issuance that was transferred to offset debt service costs on the 2016A bonds. As a result, Series 2009A and 2011 bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$420,407. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2023. The University completed the refunding to reduce its total debt service payments over the next 8 years by \$476,192 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$420,497.

On June 1, 2016, the University also issued \$1,365,000 in Taxable Higher Education Facilities Taxable Revenue Bonds for the purpose of refunding \$1,335,000 of outstanding Higher Education Facilities Taxable Revenue Bonds Series 2009B). The 2016B bonds bear an average coupon rate of 2.920 percent with the final payment due April 1, 2024.

The net proceeds of \$1,328,000 (after payment of \$15,871 in issuance costs), combined with \$23,248 held in the University's debt service fund, were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$1,335,000 on Series 2009B with applicable interest. There was \$21,129 of additional proceeds remaining from the issuance that was transferred to offset debt service costs on the 2016B bonds. As a result, the Series 2009B bonds is considered to be defeased and the liability has been removed from the Statement of Net Position.

This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$16,248. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2023. The University completed the refunding to reduce its total debt service payments over the next 8 years by \$200,309 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$202,067.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable, Continued

Bonds Payable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Bonds payable consists of the following at December 31, 2017:

South Carolina Jobs - Economic Development Authority  
variable rate demand Economic Development Revenue  
Bonds. Issued December 1, 2011 with an effective  
variable interest rate currently at 3.69% net of the  
effects of a fixed interest swap agreement. Interest is  
payable monthly, and principal is payable in varying  
annual installments, maturing July 1, 2033.

Direct Purchase of Series 2011	\$ 14,390,000
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On November 18, 2011, as part of the Series 2011 bond issuance, WUREF, LLC issued and filed the intent to redeem the outstanding balance of the Series 2002A bond issuance of \$16,535,000. The proceeds from the Series 2011 bond issuance were put into trust on December 1, 2011, and the related bond liability was called and redeemed on December 1, 2011. In accordance with the bond documents, the related trust assets and bond liability were removed from the financial statements of WUREF, LLC effective December 31, 2011.

WUREF, LLC had entered into a \$16,400,000 fixed interest rate swap agreement in conjunction with the Series 2002A bond issuance to manage exposure from the variable interest rate. The Swap remains in effect, is used to offset the interest from the Series 2011 bond issuance and is tied to the amount and amortization of the issuance, maturing on July 1, 2022. Realized losses on monthly settlement transactions totaled \$378,416 for the year ended December 31, 2017. Under the swap agreement, WUREF, LLC has limited its interest rate risk on the variable rate bond by effectively fixing the interest rate at 3.69% regardless of market fluctuations.

Maturities on the bonds payable are scheduled as follows for years ending December 31:

2018	\$	580,000
2019		615,000
2020		645,000
2021		685,000
2022		720,000
Thereafter		11,145,000
		\$ 14,390,000

Certain bond issuance costs, including underwriter's fees and attorney fees in the amount of \$160,973 for the Series 2011 issuance, have been classified as other assets and are being amortized over the life of the Series 2011 issuance to its final scheduled maturity date. Amortization expense for the bond closing cost was \$6,999 for the period ended December 31, 2017.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 8 - LONG-TERM DEBT**, Continued

Notes Payable

Notes payable consisted of the following at June 30, 2018:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
State of South Carolina			
Note Dated 6/12/09	0.0%	05/30/18	\$ -
Note Dated 10/24/17	1.5%	07/01/26	61,505
Total Notes Payable			<u>\$ 61,505</u>

A special student fee and a special admissions fee on all paid admissions to the athletic facilities are restricted to the payment of principal and interest on the athletic facilities note and are recorded in student tuition and fees revenues and other additions in the retirement of indebtedness plant funds subgroup. The bank notes will be repaid from available unrestricted sources and debt service payments will be reported as unrestricted current fund expenditures.

During fiscal year 2009, Winthrop University signed a letter of understanding whereby the University's food service vendor will make a financial commitment to the University in an amount up to \$3,050,000 for food service facility up fitting and the purchase and installation of food service equipment in the new campus center. As of June 30, 2012, the food service vendor expended the entire amount of this commitment. The University will repay the vendor in annual installments on a straight-line basis over a period of ten years. The University paid the final installment of this note payable in May 2018.

During fiscal year 2018, Winthrop University received a Public Entity Conserfund Loan from the South Carolina Office of Regulatory Staff in the amount of \$61,505. The proceeds were used to install LED lighting in the four-court indoor gymnasium of the West Center complex. The loan bears an interest rate of 1.5 percent and will be repaid in annual installments over a period of eight years commencing July 1, 2019 and due annually thereafter on the first day of the month, beginning on July 1, 2020 until paid in full. The University's savings in annual energy costs and lighting maintenance is expected to exceed the cost of this loan.

The note is payable in annual installments. Amounts required to complete payment of the note obligation as of June 30, 2018, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	-	-
2020	7,294	923	8,217
2021	7,403	813	8,216
2022	7,514	702	8,216
2023	7,627	589	8,216
2024-2028	31,667	1,197	32,864
Total Obligations	<u>\$ 61,505</u>	<u>4,224</u>	<u>65,729</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 8 - LONG-TERM DEBT**, Continued

Master Lease Program Notes Payable

In prior years, the University made borrowings from a bank under the State Treasurer's Office's Master Lease Program. At June 30, 2018, the University had bank notes payable outstanding as follows:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
Note Dated July 12, 2011	3.1805%	07/12/18	\$ 295,080
Note Dated February 28, 2013	2.330%	03/01/20	602,941
Note Dated February 15, 2018	3.130%	02/15/25	2,000,000
Total			<u>\$ 2,898,021</u>

On July 12, 2011, Winthrop University borrowed \$2,000,000 from a financial institution with an average interest rate of 3.1805 percent. The proceeds were used for the purchase of certain biology and chemistry scientific equipment. The note is payable in annual installments plus interest.

On February 28, 2013, Winthrop University borrowed \$2,000,000 from a financial institution with an average interest rate of 2.330 percent. The proceeds were used for the purchase of instructional equipment and software. The note is payable in annual installments plus interest.

On February 15, 2018, Winthrop University borrowed \$2,000,000 from a financial institution with an interest rate of 3.130 percent. The proceeds are being used for the purchase of physiology instructional equipment, certain biology and chemistry scientific equipment, and performing arts equipment. The note is payable in annual installments plus interest.

Amounts, including those required to complete payment of the bank note obligations as of June 30, 2018 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 853,930	86,133	940,063
2020	572,164	61,640	633,804
2021	276,509	46,114	322,623
2022	285,171	37,451	322,622
2023	294,105	28,517	322,622
2024-2028	616,142	29,104	645,246
Total Obligations	<u>\$ 2,898,021</u>	<u>288,959</u>	<u>3,186,980</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 9 - LEASE OBLIGATIONS**

Future commitments for capital leases and operating leases having no cancelable terms in excess of one year as of June 30, 2018 were as follows:

<u>Year Ended June 30</u>	<u>Capital Leases/ Equipment</u>	<u>Operating Leases/ Equipment</u>
2019	\$ 59,321	40,763
2020	59,321	18,006
2021	59,321	5,312
2022	59,321	-
2023	35,124	-
Later Years	-	-
Total Lease Payments	<u>272,408</u>	<u>64,081</u>
Less: Interest	<u>(39,145)</u>	<u>-</u>
Total Present Value of Lease Payments	<u><u>\$ 233,263</u></u>	<u><u>64,081</u></u>

**Capital Leases**

During fiscal year 2018, the University entered into two capital leases. One lease began December 17, 2017 with the first of five annual lease installments of approximately \$21,000. This lease provided for acquisition of eighteen (18) office copier-scanning-printing devices used in offices throughout the University. A second capital lease began in June, 2018 and calls for thirty-six monthly lease payments in the amount of approximately \$3,200. This lease provided for the acquisition of two (2) high capacity color laser printers being used in the University's production printing area.

These lease agreements qualify as capital leases for accounting purposes (end-of-lease purchase option price of \$1) and, therefore, have been recorded at the present value of the future minimum lease payments as of the dates of their inception. As of June 30, 2018, the gross amount of these leased assets was \$256,573 and accumulated depreciation was \$11,898 which is reflected as Machinery, Equipment and Other in Capital Assets, Net on the Statement of Net Position. Depreciation expense for these leases for the year ended June 30, 2018 was \$11,898. Of the future commitments due for fiscal year 2019, \$45,191 will be a reduction of principal and \$14,130 will be interest expense.

**Operating Leases**

The University has various operating leases with external parties which include copier equipment, vehicles and building space. A majority of these leases are non-cancelable operating leases which provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total contingent rental payments for copier equipment on a cost per copy basis were \$178,524 for fiscal year 2018. For the year ending June 30, the University's non-cancelable lease expense for the vehicles and building space were \$47,787 and \$3,250, respectively. The University also secures vehicle use through cancelable operating leases with the State of South Carolina. For the year ended June 30, 2018, the University recorded expenses of \$297,023 under these cancelable leases.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 10 - PENSION PLANS**

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

**Plan Descriptions**

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 10 - PENSION PLANS**, Continued

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems' trust funds for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment provides for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 10 - PENSION PLANS**, Continued

Benefits, Continued

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

The benefit formula for full service retirement annuity effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class Two members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class Three members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

The benefit formula for full benefits for the PORS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class Two members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class Three members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, a retiree may roll over some or all of the accumulated TERI balance into a qualified, tax-sheltered retirement plan and/or receive a lump-sum distribution. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible for disability retirement benefits. The TERI program ended effective June 30, 2018 and a member's participation may not continue after this date.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 10 - PENSION PLANS**, Continued

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA board may increase the percentage rate in SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; this increase is not limited to one-half of one percent per year.

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

Effective July 1, 2017, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 19.06%. Included in the total SCRS employer contribution rate is a base retirement contribution of 13.41%, 0.15% for the incidental death benefit program and a 5.50% surcharge that will fund retiree health and dental insurance coverage. The University's actual retirement and incidental death benefit program contributions for participating employees and TERI participants to the SCRS for the years ended June 30, 2018, 2017, and 2016 were:

<u>Fiscal Year Ended</u>	<u>Retirement</u>		<u>Incidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2018	13.410%	\$ 3,701,623	0.15%	\$ 41,405
2017	11.410%	\$ 3,235,838	0.15%	\$ 42,539
2016	10.910%	\$ 2,872,362	0.15%	\$ 39,492

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 10 - PENSION PLANS**, Continued

Contributions, Continued

Effective July 1, 2017, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 21.74%. Included in the total PORS employer contribution rate is a base retirement contribution of 15.84%, 0.20% for the incidental death benefit program, 0.20% for the accidental death program, and a 5.50% surcharge that will fund retiree health and dental insurance coverage. The University's actual retirement, incidental death benefit program and accidental death program contributions to the PORS for the years ended June 30, 2018, 2017, and 2016 were:

Fiscal Year Ended	Retirement		Incidental Death		Accidental Death	
	Rate	Contribution	Rate	Contribution	Rate	Contribution
2018	15.840%	\$ 95,226	0.20%	\$ 1,202	0.20%	\$ 1,202
2017	13.840%	\$ 103,160	0.20%	\$ 1,491	0.20%	\$ 1,491
2016	13.340%	\$ 93,426	0.20%	\$ 1,401	0.20%	\$ 1,401

Employee and employer contributions to the State ORP are at the same rates as SCRS. Employees participating in the State ORP were required to contribute 9.00% of all earnable compensation. In fiscal year 2018, the employer contribution rate for the State ORP was 13.56% plus the retiree surcharge of 5.50% that will fund retiree health and dental insurance coverage. Of the 13.56% employer contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 8.41% retirement contribution and 0.15% incidental death benefit program contribution amounts are remitted to SCRS.

For fiscal year 2018, total contributions requirements to the ORP were approximately \$3,223,852 (excluding the surcharge) from the University as employer and approximately \$2,139,727 from its employees as plan members.

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2017, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the Systems' consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the Systems' fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 10 - PENSION PLANS**, Continued

Actuarial Assumptions and Methods, Continued

The following provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2017.

		SCRS	PORS
Actuarial Cost Method		Entry age normal	Entry age normal
Investment Rate of Return	1	7.25%	7.25%
Projected Salary Increases	1	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Benefit Adjustments		Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

1 Includes inflation at 2.25%

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2017, TPL are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular System's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2017, for SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 48,244,437,494	25,732,829,268	22,511,608,226	53.3%
PORS	7,013,684,001	4,274,123,178	2,739,560,823	60.9%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the <http://www.peba.sc.gov/assets/financialsretirement.pdf>. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 10 - PENSION PLANS**, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the University reported liabilities of \$94,096,947 and \$1,526,053 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability was measured as of June 30, 2017. The University's proportion of the net pension liability was based on the University's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2017, the University's SCRS and PORS proportion was 0.417993% and 0.05570%, respectively.

For the year ended June 30, 2018, the University recognized net pension expenses of \$8,358,715 and \$190,131 for SCRS and PORS, respectively.

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SCRS	PORS
Deferred Outflows of Resources		
Difference between Expected and Actual Experience	\$ 419,484	13,608
Changes of Assumptions	5,508,366	144,836
Net difference between Projected and Actual Earnings on Pension Plan Investments	2,626,745	54,379
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	2,743,275	16,284
University Contributions Subsequent to the Measurement Date	5,280,158	90,438
TOTAL	<u>\$ 16,578,028</u>	<u>319,545</u>
Deferred Inflows of Resources		
Difference between Expected and Actual Experience	\$ 52,155	-
Changes of Assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	-	-
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	4,067,486	9,986
TOTAL	<u>\$ 4,119,641</u>	<u>9,986</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 10 - PENSION PLANS**, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

The \$5,280,158 and \$90,438 reported as deferred outflows of resources related to pensions resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The \$5,280,158 and \$90,438 represents the University contributions subsequent to the measurement date of \$5,778,147 and \$97,638 for SCRS and PORS, respectively, less a special funding from PEBA of \$497,989 and \$7,200. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>SCRS</u>	<u>PORS</u>
2019	\$ 1,394,331	64,159
2020	3,079,137	88,175
2021	3,366,589	60,502
2022	(661,828)	6,285
2023	-	-
Thereafter	-	-

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 10 - PENSION PLANS**, Continued

Long-term Expected Rate of Return, Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>45.0%</b>		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
<b>Real Assets</b>	<b>8.0%</b>		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
<b>Opportunistic</b>	<b>17.0%</b>		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
<b>Diversified Credit</b>	<b>18.0%</b>		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	<u>100.0%</u>		<u>5.32%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.57%</u>



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 10 - PENSION PLANS**, Continued

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the University's proportionate share of the SCRS and PORS net pension liability calculated using the discount rate of 7.25 percent, as well as what the University's respective NPL would be if it were calculated using a discount rate of 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
Plan	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SCRS	\$ 121,278,038	94,096,947	77,604,411
PORS	2,060,451	1,526,053	1,105,100

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' <http://www.peba.sc.gov/assets/financialsretirement.pdf> (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the [http://www.peba.sc.gov/assets/06.30.2017-accounting-valuation-report\\_final-for-webpage.pdf](http://www.peba.sc.gov/assets/06.30.2017-accounting-valuation-report_final-for-webpage.pdf).

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

As discussed in Note 10, the South Carolina Public Employee Benefit Authority (PEBA) was created by the South Carolina General Assembly as part of Act No. 278 effective July 1, 2012. PEBA is a state agency responsible for the administration and management of the state's employee insurance programs, other postemployment benefits trusts and retirement systems and is part of the State of South Carolina primary government.

The governing board of PEBA is a board of 11 members. The membership composition is three members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate, two members appointed by the Chairman of the Senate Finance Committee, two members appointed by the Speaker of the House of Representatives and two members appointed by the Chairman of the House Ways and Means Committee. Individuals appointed to the PEBA board must possess certain qualifications. Members of the PEBA board serve for terms of two years and until their successors are appointed and qualify. Terms commence on July first of even numbered years. The PEBA board appoints the Executive Director. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of PEBA. By law, the State Fiscal Accountability Authority (SFFA), which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other postemployment benefits (OPEB).

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

PEBA, Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the Insurance Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov) or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

The Other Postemployment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan.

In accordance with Act 195, the OPEB Trusts are administered by the PEBA, Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides postemployment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through annual appropriations by the General Assembly for active employees to the PEBA, Insurance Benefits and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the PEBA, Insurance Benefits. For active employees who are not funded by State General Fund appropriations, participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office. The covered payroll surcharge was 5.50% and 5.33%, for the fiscal years ended June 30, 2018 and for 2017, respectively. The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. The University paid approximately \$2,858,864 and \$2,849,482 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2018 and 2017, respectively. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments. Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs.

Basic Long-Term Disability (BLTD) benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee was \$3.22 for the fiscal years ended June 30, 2018 and 2017. The SCLTDITF premium is billed monthly by PEBA, Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income. The University recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$34,132 and \$33,632 for the years ended June 30, 2018 and 2017, respectively.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities. For the year ended June 30, 2018, the University recognized nonemployer contributions of \$504,486 in Operating Revenues, Grants and Contracts on the Statement of Revenues, Expenses and Changes in Net Position.

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

Actuarial Assumptions and Methods, Continued

An actuarial valuation to determine the total OPEB liability is required to be performed at least every two years. For financial reporting purposes, the net OPEB liability and OPEB expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year end-date. If the actuarial valuation used to determine the total OPEB liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the measurement date. The total OPEB liability shown in this report is based on an actuarial valuation performed as of June 30, 2016. Update procedures were used to roll forward the total OPEB liability to the measurement date of June 30, 2017. Please see the actuarial valuation report as of June 30, 2016 for additional discussion of the actuarial valuation, including the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2016; update procedures were used to roll forward the total OPEB liability to June 30, 2017
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.56% as of June 30, 2017
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality Assumptions	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years
Aging Factors:	Based on plan specific experience
Retiree Participation:	79% for retirees who are eligible for funded premiums
Notes:	There were no benefit changes during the year; the discount rate changed from 2.92% as of June 30, 2016 to 3.56% as of June 30, 2017

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

Actuarial Assumptions and Methods, Continued

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date:	June 30, 2016; update procedures were used to roll forward the total OPEB liability to June 30, 2017
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00, net of Plan investment expense; including inflation
Single Discount Rate:	3.87% as of June 30, 2017
Salary, Termination, and Retirement Rates:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Disability Incidence:	The rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems pension plans
Disability Recovery:	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years
Offsets:	40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Notes:	There were no benefit changes during the year. The discount rate changed from 3.74% as of June 30, 2016 to 3.87% as of June 30, 2017

Net OPEB Liability

The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less that Trust's fiduciary net position. The allocation of each employer's proportionate share of the collective Net OPEB Liability and collective OPEB Expense was determined using the employer's payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort as well as be transparent to individual employers and their external auditors.

The following table represents the components of the net OPEB liability as of June 30, 2017:

OPEB Trust	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
SCRHITF	\$ 14,659,610,970	\$ 1,114,774,760	\$ 13,544,836,210	7.60%
SCLTDITF	38,510,568	36,697,589	1,812,979	95.29%

The TOL is calculated by the Trusts' actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The NOL is disclosed in accordance with the requirements of GASB No. 74 in the Trusts' notes to the financial statements and required supplementary information. Liability calculations performed by the Trusts' actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 and are not applicable for other purposes, such as determining the Trusts' funding requirements.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

**OPEB Expense**

Components of collective OPEB expense reported in the Allocation of the OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB for the fiscal year ended June 30, 2017 are presented below.

Description	SCRHITF	SCLTDITF
Service Cost	\$ 610,843,077	7,952,412
Interest on the Total OPEB Liability	455,295,633	1,399,527
Current-Period Benefit Changes	-	-
Employee Contributions	-	-
Projected Earnings on Plan Investments	(42,552,466)	(1,463,577)
OPEB Plan Administrative Expense	10,000	10,000
Other Changes in Plan Fiduciary Net Position	-	-
Recognition of Outflow (Inflow) of Resources		
Due to Liabilities	(204,992,743)	(18,366)
Recognition of Outflow (Inflow) of Resources		
Due to Assets	5,818,459	218,380
<b>Total Aggregate OPEB Expense</b>	<b>\$ 824,421,960</b>	<b>8,098,376</b>

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans**

At June 30, 2018, the University reported liabilities of \$85,869,385 and \$7,749 for its proportionate share of the net OPEB liabilities of the SCRHITF and the SCLTDITF, respectively. The net OPEB liability was measured as of June 30, 2017. The University's proportion of the net OPEB liability was based on the University's share of contributions to the OPEB Trust Funds relative to the contributions of all participating employers. At June 30, 2017, the University's proportion of the SCRHITF and the SCLTDITF was 0.633964% and 0.427446%, respectively.

For the year ended June 30, 2017, the University recognized net OPEB expenses of \$5,226,341 and \$34,595 for the the SCRHITF and the SCLTDITF, respectively.

As discussed in paragraph 86 of GASB Statement No. 75, differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan (active and inactive members) determined as of the beginning of the measurement period.

Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans, Continued

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SCRHITF	SCLTDITF
Deferred Outflows of Resources		
Difference between Expected and Actual Experience	\$ -	-
Changes of Assumptions	-	-
Net Difference between Projected and Actual Earnings		
On OPEB Plan Investments	147,548	3,734
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Plan Contributions	-	-
University Contributions Subsequent to the Measurement Date	2,790,604	34,132
TOTAL	<u>\$ 2,938,152</u>	<u>37,866</u>
Deferred Inflows of Resources		
Difference between Expected and Actual Experience	\$ 37,268	-
Changes of Assumptions	8,079,910	703
Net Difference between Projected and Actual Earnings		
On OPEB Plan Investments	-	-
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Plan Contributions	1,227	193
TOTAL	<u>\$ 8,118,405</u>	<u>896</u>

The \$2,790,604 and \$34,132 reported as deferred outflows of resources related to OPEB resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. The \$2,790,604 represents the University contribution for the covered payroll surcharge of \$2,858,864 less the implicit subsidy of \$68,260 for the year ending June 30, 2018.

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB outstanding at June 30, 2017 will be recognized in OPEB expense as follows:

Year Ended June 30	SCRHITF	SCLTDITF
2018	\$ (1,262,890)	834
2019	(1,262,890)	834
2020	(1,262,890)	834
2021	(1,262,890)	834
2022	(1,299,777)	(100)
Thereafter	(1,619,520)	(398)

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

Long-term Expected Rate of Return

The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Allocation-Weighted Long-Term Expected Real Rate of Return</u>
U.S. Domestic Fixed Income	80.00%	2.09%	1.67%
Cash	20.00%	0.84%	0.17%
Total	100.00%		1.84%
Expected Inflation			2.25%
Total Return			4.09%
Investment Return Assumption			4.00%

Single Discount Rate

The Single Discount Rate of 3.56% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

A Single Discount Rate of 3.87% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate 3.56%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain \$38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2037. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2037, and the municipal bond rate was applied to all benefit payments after that date.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

Sensitivity Analysis

The following table presents the University's proportionate share of the SCRHITF's and the SCLTDITF's net OPEB liability calculated using a Single Discount Rate of 3.56% and 3.87% respectively, as well as what the University's proportionate share of the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

<u>Sensitivity of the Net OPEB Liability to Changes in the Discount Rate</u>			
<u>Plan</u>	<u>1% Decrease (2.56%)</u>	<u>Baseline Discount Rate (3.56%)</u>	<u>1% Increase (4.56%)</u>
SCRHITF	\$ 101,129,865	85,869,385	73,565,703

<u>Sensitivity of the Net OPEB Liability to Changes in the Discount Rate</u>			
<u>Plan</u>	<u>1% Decrease (2.87%)</u>	<u>Baseline Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
SCLTDITF	\$ 13,786	7,749	1,824

Regarding the sensitivity of the University's proportionate share of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the University's proportionate share of the plan's net OPEB liability, calculated using the assumed trend rates as well as what the University's proportionate share of the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

<u>Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate</u>			
<u>Plan</u>	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
SCRHITF	\$ 70,416,454	85,869,385	105,877,217

Additional Financial and Actuarial Information

This information was compiled from the OPEB Trust Funds audited financial statements for the fiscal year ended June 30, 2017, and the accounting and financial reporting actuarial valuation as of June 30, 2017. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the OPEB Trust Funds audited financial statements.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 12 – DEFERRED INFLOWS OF RESOURCES**

As of June 30, 2018, deferred inflows of resources related to pension plans is \$4,129,627 (see Note 10). As of June 30, 2018, the University has deferred inflows of resources related to postemployment benefits other than pensions (OPEB) of \$8,119,301 (see Note 11).

On April 19, 2017, the University received \$410,971 as a special one-time Division I distribution. These funds will be used over the next three fiscal years to directly support student-athletes through academic, career success, and diversity programs as well as for student-athlete health and well-being. At June 30, 2018, the University had \$273,981 in deferred inflows for this distribution. The remaining amount of deferred inflows of resources represents voluntary nonexchange transactions relating to a future period.

**NOTE 13 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, there are no material claims or lawsuits against the University that are not covered by insurance or whose settlement would materially affect the University's financial position.

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The University had outstanding commitments under construction contracts of \$1,377,720 at June 30, 2018 of which \$0 was attributable to capital projects and the remaining \$1,377,720 was attributable to repairs and maintenance. The University anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees and state capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of State facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$0 of authorized state capital improvement bond proceeds available to draw at June 30, 2018.

**Contingencies / Commitments - Non Governmental Discretely Presented Component Unit**

***The Winthrop University Foundation***

Due to the nature of the Foundation's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may result in litigation, claims, audit disallowances, threatened property loss, or uncollectible receivables. Such situations are loss contingencies if the related liability has not been recorded, yet a loss is reasonably possible. Guarantees of others' debts are loss contingencies, however, even if the probability of loss is remote. The Foundation maintains insurance against certain loss contingencies with liability policies and physical damage coverage. At the date of their report, management is not aware of any contingencies that will result in any material loss to the Foundation.

**Contingencies - Non Governmental Discretely Presented Component Unit**

***Winthrop University Real Estate Foundation, Inc.***

In connection with the Bonds issued and outstanding (See Note 8), WUREF, LLC had entered into a \$16,400,000 fixed interest rate swap agreement in conjunction with the Series 2002A bond issuance to manage exposure from the variable interest rate connected to the bond.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 14 - RELATED PARTIES**

The Alumni Association of Winthrop University is a separately chartered legal entity whose activities are primarily to provide financial assistance and other support to the University and its educational program. The Alumni Association is an eleemosynary corporation. The Association exists to promote the growth, progress and general welfare of Winthrop University and to foster among its former students a sentiment of regard for one another and a continuing attachment to their Alma Mater. Financial statements for this entity are audited by independent auditors and retained by them.

**NOTE 15 - DONOR RESTRICTED ENDOWMENTS**

At June 30, 2018, the University held \$499,628 in permanent endowed and \$238,733 in quasi endowed funds. Net unrealized loss at June 30, 2018 was \$238,566. This amount is included in the restricted expendable scholarships and fellowships amount in the Statement of Net Position. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the endowment funds.

The income earned on endowments is spent for the purposes for which the endowments were established. At June 30, 2018, the income available to be spent is \$297,262 of which \$214,187 is restricted to specific purposes.

**NOTE 16 - RISK MANAGEMENT**

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 17 - OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the year ended June 30, 2018 are summarized as follows:

Instruction	\$ 44,462,611
Research	1,671,496
Public Service	16,590,004
Academic Support	8,601,634
Student Services	16,331,531
Institutional Support	11,239,185
Operation and Maintenance of Plant	13,065,123
Scholarships and Fellowships	7,491,415
Auxiliary Enterprises	13,322,208
Depreciation	5,075,549
Total Operating Expenses	<u><u>\$ 137,850,756</u></u>

**NOTE 18 – NONOPERATING FEDERAL GRANTS AND CONTRACTS**

Nonoperating Federal grants and contracts for the year ended June 30, 2018 are summarized as follows:

State Fiscal Stabilization Funds	\$ -
Federal Pell Grant Program - 2016	-
Federal Pell Grant Program - 2017	15,077
Federal Pell Grant Program - 2018	9,669,098
Total	<u><u>\$ 9,684,175</u></u>

Funds received for the Federal Pell program are recorded as nonoperating Federal grants and contracts in the accompanying Statement of Revenues, Expenses and Changes in Net Position. Prior to June 30, 2011, funds received for Pell were reported as operating grants and contracts.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 19 - COMPONENT UNITS**

The Foundation and WUREF, Inc. maintain their accounts in accordance with the principals and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by the actions of the Foundation or WUREF, Inc. and/or by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions”.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that may be maintained permanently by the Foundation or WUREF, Inc. Generally, the donors of these assets permit the Foundation or WUREF, Inc. to use all or part of the income earned on any related investments for general or specific purposes.

Split-interest trusts – Split-interest trusts consist of contributions to a trust controlled by a trustee (often the Foundation) which requires the trustee to invest the gift and make periodic payments to designated beneficiaries during their lives. Upon the death of the beneficiaries, the remaining trust balance goes to the Foundation subject to any use restrictions in the trust agreement with the donor.

Agency fund – The other classification used in the accompanying statement of financial position for the Foundation is agency fund which is a fund held by the Foundation as custodian. The receipts, earnings and expenditures related to the agency funds are not included in the Foundation’s Statement of Activities.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed for future periods or restricted by donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

Contributions are recorded as revenue when unconditional promises (pledges) to give are received. Pledges to give that are due in the next year are recorded at their net realizable value. Pledges to give that are due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Amortization of discounts is reported as additional contribution revenue according to donor-imposed restrictions if any.

***The Winthrop University Foundation***

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the University. The Foundation’s activities are governed by its Board of Directors.

The University recorded Non Governmental gifts receipts of \$1,441,837 from the Foundation in nonoperating revenues for the fiscal year ending June 30, 2018. These funds were used to support University programs such as scholarships and fellowships. The Foundation reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2018 are \$117,792 due from the Foundation.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2018

**NOTE 19 - COMPONENT UNITS,** Continued

***The Winthrop University Foundation,*** Continued

Purpose of Restricted Net Assets

All temporarily restricted net assets in the amount of \$1,548,653 are available for use by Winthrop University for student scholarships, or improving education programs or physical facilities. Net assets released from restrictions during 2017 were \$2,120,512 for expenses satisfying the restricted purpose of the donors.

Permanently restricted net assets in the form of split-interest agreements are available in the amount of \$1,419,723 for use by Winthrop University to support student scholarships and physical facilities. Net assets released in 2017 for these purposes totaled \$141,113.

Temporarily Restricted Net Assets Available	\$ 1,548,653
Estimated Current Value of Trusts Which Upon the Deaths of the Beneficiaries Will Provide Endowments	1,419,723
	<u>\$ 2,968,376</u>

The Foundation's net assets classification has not been significantly affected by the new regulations under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA). The Foundation's spending and investment policies are designed to maintain the historical cost of all endowment gifts as permanent net assets and to appreciate those assets at a rate above inflation over the long-term for preservation of capital value.

***Winthrop University Real Estate Foundation, Inc.***

In January 2004, WUREF Development, LLC, a separately wholly owned organization of WUREF, Inc., spent approximately \$19 million to construct a 406 bed resident student housing facility. Winthrop University has entered into an agreement with WUREF to provide management services for assigning students to rooms and collecting required fees. For the period July 1, 2017 thru June 30, 2018, the fee for management services amounted to \$223,436. WUREF Development, LLC reimburses the University for any purchases made by the University on behalf of the Foundation.

In addition, the University recorded Non Governmental gifts receipts of \$450,000 from WUREF Development, LLC in nonoperating revenues for the fiscal year ending June 30, 2017. These funds were primarily used to support student scholarships for the University.

Component unit receivables as of June 30, 2018 are \$370,160 due from WUREF, Inc.

**NOTE 20- RESTATEMENT FOR IMPLEMENTATION OF ACCOUNTING STANDARD**

The University implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ended June 30, 2018. The implementation of the statement required the University to record beginning net OPEB liability and the effects on unrestricted net position of contributions made by the University during the measurement period (fiscal year ended June 30, 2017). As a result, ending unrestricted net position for the University for the year ended June 30, 2017 decreased by \$89,088,703. This decrease resulted in the restatement of unrestricted net position to a deficit balance of \$150,014,305 for the year ended June 30, 2017.

## **OTHER FINANCIAL INFORMATION**

**WINTHROP UNIVERSITY**  
Schedule Reconciling State Appropriation Per the Financial Statements  
To State Appropriation Recorded in State Accounting Records  
For the Year Ended June 30, 2018

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as nonoperating revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the University's base budget amount presented in the General Funds column of Section 5L of Part IA of the 2017-2018 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2018:

**Non-Capital Appropriations**

Non-Capital Appropriations per 2017-2018 Appropriations Act	\$	16,150,006
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**State Budget and Control Board Allocations:**

State Budget and Control Board Approved		-
Allocation for Pay Plan		-
Allocation for Health and Dental Insurance		92,631
Allocation for SCRS and PORS 1.00% Rate Increase		122,744
From SC Education Lottery Fund - Technology Program		334,496
From Commission on Higher Education -		9,010
Academic Endowment Incentive Match		-
		16,708,887
Revised Non-Capital Appropriations - Legal Basis		(277,366)
Accrued Funding for Net Payroll Adjustments		-
Appropriations drawn but not expended during the current fiscal year		-
Total Non-Capital Appropriations Recorded		-
As Current Year Revenue	\$	16,431,521

**Capital Appropriations**

Proceeds drawn during the current fiscal year	\$	630,692
Plus: Expenses incurred but not drawn during the current fiscal year		-
Less: Proceeds drawn but not expended during the current fiscal year		-
Total Capital Appropriations Recorded as Current Year Revenue	\$	630,692

**Research Infrastructure Bond Proceeds**

Proceeds drawn during the current fiscal year	\$	-
Plus: Expenses incurred but not drawn during the current fiscal year		-
Less: Proceeds drawn but not expended during the current fiscal year		-
Total Research Infrastructure Bond Proceeds Recorded		-
As Current Year Revenue	\$	-



## **REQUIRED SUPPLEMENTARY INFORMATION**

**WINTHROP UNIVERSITY**  
Schedule of Winthrop University's Proportionate Share of the  
SCRS and PORS Net Pension Liabilities  
For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>SCRS - South Carolina Retirement System</b>				
Winthrop's Proportion of the Net Pension Liability	0.417993%	0.399163%	0.437758%	0.44535%
Winthrop's Proportionate Share of the Net Pension Liability	\$94,096,947	\$85,260,628	\$83,022,915	\$76,674,505
Winthrop's Covered-Employee Payroll	\$28,359,664	\$26,327,792	\$29,052,225	\$29,338,296
Winthrop's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	331.80%	323.84%	285.77%	261.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.30%	52.90%	57.00%	59.90%
<b>PORS - South Carolina Police Officers Retirement System</b>				
Winthrop's Proportion of the Net Pension Liability	0.05570%	0.05494%	0.05576%	0.05535%
Winthrop's Proportionate Share of the Net Pension Liability	\$1,526,053	\$1,393,412	\$1,215,309	\$1,059,697
Winthrop's Covered-Employee Payroll	\$745,378	\$700,344	\$690,800	\$659,511
Winthrop's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	204.74%	198.96%	175.93%	160.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.90%	60.40%	64.60%	67.50%

**WINTHROP UNIVERSITY**  
Schedule of Winthrop University's SCRS and PORS Contributions  
For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>SCRS - South Carolina Retirement System</b>				
Contractually Required Contribution	\$5,778,147	\$4,876,141	\$4,275,085	\$4,473,914
Contribution in Relation to the Contractually Required Contribution	<u>(\$5,778,147)</u>	<u>(\$4,876,141)</u>	<u>(\$4,275,085)</u>	<u>(\$4,473,914)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's Covered-Employee Payroll	\$27,603,452	\$28,359,664	\$26,327,792	\$29,052,225
Contributions as a Percentage of Covered-Employee Payroll	20.93%	17.19%	16.24%	15.40%
<b>PORS - South Carolina Police Officers Retirement System</b>				
Contractually Required Contribution	\$97,638	\$106,142	\$96,228	\$92,635
Contribution in Relation to the Contractually Required Contribution	<u>(\$97,638)</u>	<u>(\$106,142)</u>	<u>(\$96,228)</u>	<u>(\$92,635)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's Covered-Employee Payroll	\$601,177	\$745,378	\$700,344	\$690,800
Contributions as a Percentage of Covered-Employee Payroll	16.24%	14.24%	13.74%	13.41%

**WINTHROP UNIVERSITY**  
Schedule of Winthrop University's Proportionate Share of the Net OPEB Liability  
For the Year Ended June 30,

	<u><b>2018</b></u>
<b>South Carolina Retiree Health Insurance Trust Fund (SCRHITF)</b>	
Winthrop's Proportion of the OPEB Liability	0.633964%
Winthrop's Proportionate Share of the Net OPEB Liability	\$85,869,385
Winthrop's Covered-Employee Payroll	\$53,461,195
Winthrop's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	160.62%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.60%
<b>South Carolina Long-term Disability Insurance Trust Fund (SCLTDITF)</b>	
Winthrop's Proportion of the OPEB Liability	0.427446%
Winthrop's Proportionate Share of the Net OPEB Liability	\$7,749
Winthrop's Covered-Employee Payroll	n/a
Winthrop's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	n/a
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	95.29%

**WINTHROP UNIVERSITY**  
Schedule of Winthrop University's OPEB Contributions  
For the Year Ended June 30,

	<u><b>2018</b></u>
<b>South Carolina Retiree Health Insurance Trust Fund (SCRHITF)</b>	
Contractually Required Contribution	\$2,858,864
Contribution in Relation to the Contractually Required Contribution	<u>(\$2,858,864)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>
University's Covered-Employee Payroll	\$51,979,351
Contributions as a Percentage of Covered-Employee Payroll	5.37%
 <b>South Carolina Long-term Disability Insurance Trust Fund (SCLTDITF)</b>	
Contractually Required Contribution	\$34,132
Contribution in Relation to the Contractually Required Contribution	<u>(\$34,132)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>
University's Covered-Employee Payroll	n/a
Contributions as a Percentage of Covered-Employee Payroll	n/a

**SINGLE AUDIT SECTION**

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
as of June 30, 2018

<b>FEDERAL GRANTOR</b> Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number	Total Expenditures FY2018
<b>Department of Defense National Security Agency</b>			
GenCyber Grants Program	12.903	H98230-17-1-0189	24,416
GenCyber Grants Program	12.903	H98230-17-1-0224	37,857
<b>TOTAL NATIONAL SECURITY AGENCY</b>			<b>\$ 62,273</b>
<b>US National Endowment for the Arts</b>			
Promotion of the Arts-Grants to Organizations and Individuals	45.024	15-4292-7103	15
<b>TOTAL NATIONAL ENDOWMENT FOR THE ARTS</b>			<b>\$ 15</b>
<b>National Science Foundation</b>			
Geosciences	47.050	ERA-1664247	R&D 4,712
Subtotal 47.050			<b>\$ 4,712</b>
Pass-Through Clemson University Biological Sciences	47.074	EF-1410094	R&D 3,312
Subtotal 47.074			<b>\$ 3,312</b>
Social, Behavioral and Economic Sciences	47.075	SES-1527762	R&D 3,300
Subtotal 47.075			<b>\$ 3,300</b>
Education and Human Resources	47.076	DUE 1540690	R&D 156,406
Subtotal 47.076			<b>\$ 156,406</b>
Office of Integrative Activities	47.083	OIA-1655740	R&D 50,128
Subtotal 47.083			<b>\$ 50,128</b>
<b>TOTAL NATIONAL SCIENCE FOUNDATION</b>			<b>\$ 217,858</b>
<b>Small Business Administration</b>			
Pass-Through the University of South Carolina			
Small Business Development Centers	59.037	SBAHQ-16-B- 0032/0001	(414)
Small Business Development Centers	59.037	SBAHQ-17-B-0042	64,433
Small Business Development Centers	59.037	SBAHQ-16-B-0032	19,147
Small Business Development Centers	59.037	SBAHQ-18-B-0039	207,905
Small Business Development Centers	59.037	SBAHQ-18-B-0039	8,946
<b>TOTAL SMALL BUSINESS ADMINISTRATION</b>			<b>\$ 300,017</b>

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
as of June 30, 2018

<b>FEDERAL GRANTOR</b> Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number		Total Expenditures FY2018
<b>DEPARTMENT OF EDUCATION</b>				
Offices of Federal Student Aid & Postsecondary Education				
Student Financial Aid Cluster				
Supplemental Education Opportunities Grant	84.007	PO07A173816	SFA	191,520
Supplemental Education Opportunities Grant	84.007	PO07A163816	SFA	(1,000)
Subtotal 84.007				<u>\$ 190,520</u>
Federal Work Study Program	84.033	P033A173816	SFA	164,450
Subtotal 84.033				<u>\$ 164,450</u>
Federal Perkins Loan Program	84.038	P038A063816	SFA	2,673,669
Subtotal 84.038				<u>\$ 2,673,669</u>
Federal PELL Grant Program	84.063	PO063P160379	SFA	15,077
Federal PELL Grant Program	84.063	PO063P170379	SFA	9,669,098
Subtotal 84.063				<u>\$ 9,684,175</u>
Federal Direct Student Loan Program FY17	84.268	P268K170379	SFA	241,235
Federal Direct Student Loan Program FY18	84.268	P268K180379	SFA	38,898,592
Subtotal 84.268				<u>\$ 39,139,827</u>
Teacher Education Assistance for College and Higher Education Grants	84.379	P379T180379	SFA	345,673
Subtotal 84.379				<u>\$ 345,673</u>
Subtotal - Student Financial Aid Cluster				<u>\$ 52,198,314</u>
TRIO Cluster				
TRIO - Student Support Services	84.042	84-042A2015-1		236,147
Subtotal 84.042				<u>\$ 236,147</u>
TRIO - McNair Post Baccalaureate Achievement	84.217	P217A130111		227,147
Subtotal 84.217				<u>\$ 227,147</u>
Subtotal - TRIO Cluster				<u>\$ 463,294</u>



**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
as of June 30, 2018

<b>FEDERAL GRANTOR</b> Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number		Total Expenditures FY2018
<b>Office of Special Education and Rehabilitative Services</b>				
English Language Acquisition State Grants	84.365	T362Z160278	R&D	613,577
Subtotal 84.365				\$ 613,577
<b>Office of Elementary and Secondary Education</b>				
Pass-Through the York School District One				
Mathematics and Science Partnerships	84.366B	H63010008216		25,773
Subtotal 84.366B				\$ 25,773
<b>TOTAL US DEPARTMENT OF EDUCATION</b>				<b>\$ 53,300,958</b>
<b>US Department of Health and Human Services</b>				
<b>National Institute of Health</b>				
Vision Research	93.867	R15EY024453	R&D	55,478
Subtotal				\$ 55,478
<b>US Department of Health and Human Services</b>				
<b>National Institute of Health</b>				
Pass-Through the University of South Carolina				
Biomedical Research and Research Training	93.859	2P20GM103499-15	R&D	268,821
Subtotal 93.859				\$ 268,821
<b>US Department of Health and Human Services</b>				
<b>National Institute of Health</b>				
Pass Through SC Substance Abuse & Mental Health Services Administration (SAMSHA)				
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1H79T1080313-01		13,854
Subtotal - 93.243				\$ 13,854
<b>TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				<b>\$ 338,153</b>
<b>Corporation for National and Community Service</b>				
Volunteers in Service to America	94.013	10VSSSC001		13,033
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>				<b>\$ 13,033</b>
<b>TOTAL ALL FEDERAL FUNDS</b>				<b>\$ 54,232,307</b>

Independent Auditors' Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters  
Based On An Audit Of Financial Statements Performed  
In Accordance With Government Auditing Standards

The Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Winthrop University, a discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Winthrop University's basic financial statements, and have issued our report thereon dated September 14, 2018. Our report includes a reference to other auditors who audited the financial statements of the Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. as described in our report on Winthrop University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc.'s financial statements were not audited in accordance with Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Winthrop University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Winthrop University's internal control. Accordingly, we do not express an opinion on the effectiveness of the Winthrop University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

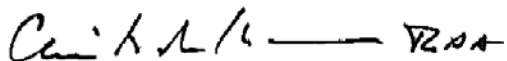
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Winthrop University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Gaffney, SC  
September 14, 2018

Independent Auditors' Report On Compliance  
For Each Major Program And On Internal Control Over  
Compliance Required By The Uniform Guidance

The Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Winthrop University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Winthrop University's major federal programs for the year ended June 30, 2018. Winthrop University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winthrop University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Winthrop University's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Winthrop University, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

Management of Winthrop University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirement referred to above. In planning and performing our audit of compliance, we considered Winthrop University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winthrop University's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Cynthia L. [unclear]".

Gaffney, SC  
September 14, 2018

**WINTHROP UNIVERSITY**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Winthrop University. The reporting entity is defined in Note 1 of the University's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 of the University's financial statements.

3. LOAN PROGRAMS

The University has students who have approved loans which were received by those students during the current year. The University is not the lender, it only processes them for the lender the student chooses. The totals and types of loans received for the current fiscal year are:

Federal Direct Loans	<u>\$ 39,139,827</u>
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The Federal Perkins Loan Program is administered directly by the University and balances and transactions relating to the program are included in the University's financial statements. The balance of loans outstanding under the Federal Perkins Loan program was \$2,267,784 as of June 30, 2018. The expenditures for June 30, 2018 are calculated as follows:

June 30, 2017 Loan Balance	\$ 2,257,122
Current Year Loans Made	377,547
Current Year Administrative Cost Allowance	<u>39,000</u>
Total	<u>\$ 2,673,669</u>

**WINTHROP UNIVERSITY**  
Summary Schedule of Prior Audit Findings  
June 30, 2018

**Findings Relating to the Financial Statements:**

There were no findings relating to the financial statements.

**Findings and Questioned Costs Relating to Federal Awards:**

There were no findings and questioned costs relating to federal awards.

**Winthrop University**  
Schedule of Findings and Questioned Costs  
June 30, 2018

**Summary of Auditors' Results:**

- An unmodified opinion was issued on Winthrop University's basic financial statements dated September 14, 2018.
- There were no material weaknesses or significant deficiencies relating to the financial statements reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*
- There were no instances of noncompliance material to the financial statements of Winthrop University disclosed during the audit.
- The auditor's report on compliance for the major federal award programs for Winthrop University expresses an unmodified opinion.
- There were no material weaknesses or significant deficiencies relating to the audit of major federal awards reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
- There were no audit findings reported relative to the major federal award programs for Winthrop University as depicted below in this schedule.
- Major federal programs:

Student Financial Aid Cluster from the U.S. Department of Education		
Federal Supplemental Education Opportunity Grants (FSEOG)	CFDA #84.007	
Federal Work-Study	CFDA #84.033	
Federal Perkins Loan Program	CFDA #84.038	
Federal PELL Grant	CFDA #84.063	
Federal Direct Student Loans	CFDA #84.268	
Federal TEACH Grants	CFDA #84.379	

Research and Development Cluster

National Science Foundation	
Education and Human Resources	CFDA #47.076

U.S. Department of Education Office of Special Education and Rehabilitation Services English Language Acquisition State Grants	CFDA #84.365
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U.S. Department of Health and Human Services National Institute of Health Pass-through the University of South Carolina- Biomedical Research and Research Training	CFDA #93.859
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- The threshold for distinguishing between Type A and Type B Programs was \$750,000.

Winthrop University is a low risk auditee according to the criteria in the Uniform Guidance.

**Findings Relating to the Financial Statements:**

There were no findings relating to the financial statements.

**Findings and Questioned Costs Relating to Federal Awards:**

There were no findings and questioned costs relating to federal awards.